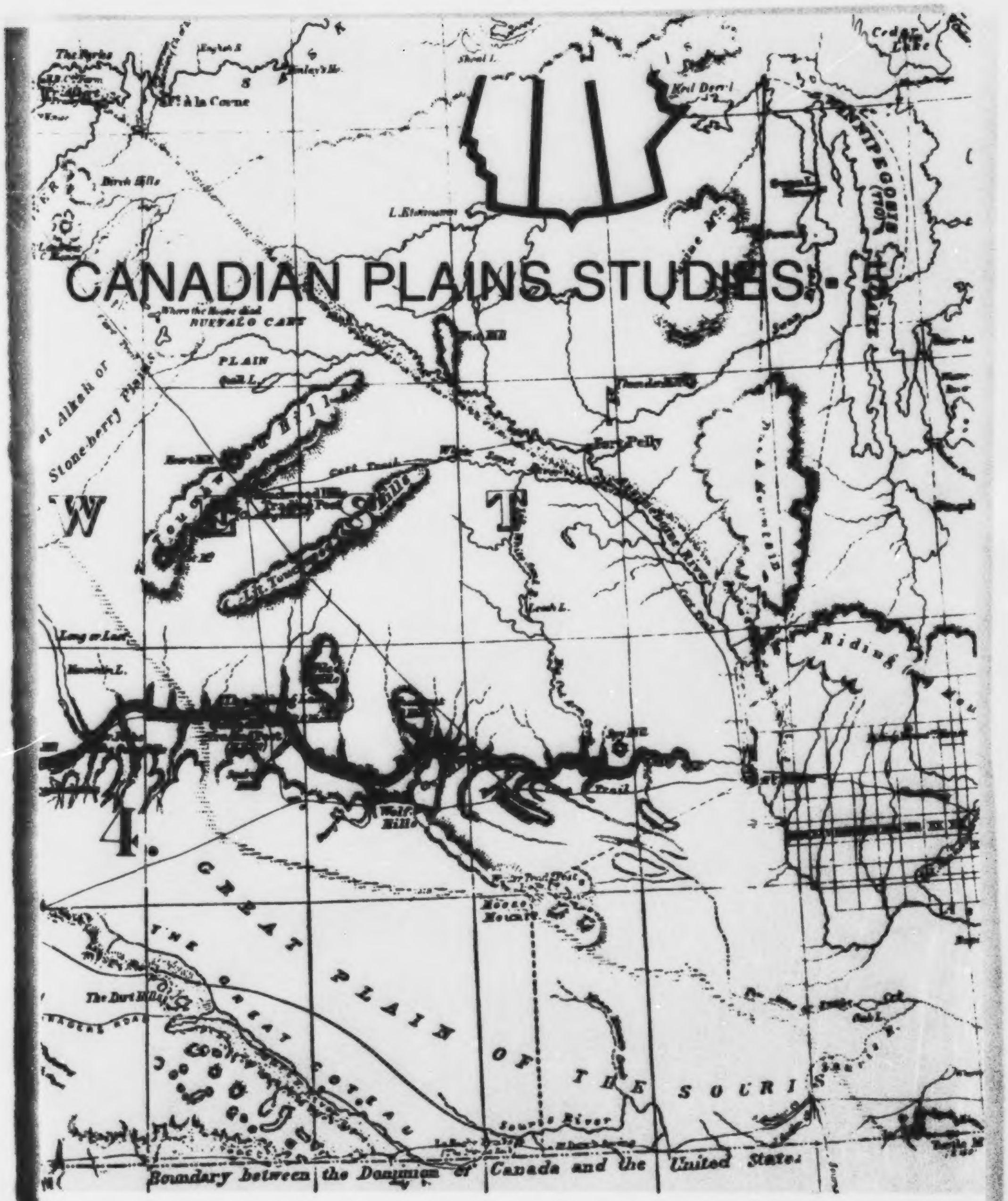
CANADIAN PLAINS STUDIES - 5



Boundary between the Dominion of Canada and the United States
GREAT PLAIN OF THE SOURIS
THE GREAT COTEAU
Stone-berry Plain
Souris River
Wolf Hills

POWER FOR A PROVINCE

A HISTORY OF SASKATCHEWAN POWER

CLINTON O. WHITE

87-01113/

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PREFACE WITH ACKNOWLEDGEMENTS

This book is a study of how Saskatchewan came to possess the electrical and natural gas utilities which serve the province today. It also tells why she did not acquire key elements of her electrical system much earlier than she did. In short, it is a story of both great accomplishments and questionable actions.

The story begins in the 1890s, within a decade of the establishment of the world's first central electrical generating stations, when three similar installations appeared in what later became Saskatchewan. Following the granting of provincial status in 1905, power plants serving single communities appeared in numerous other centres. Meanwhile, technological advances in the field of electrical transmission made possible the generation of power where energy sources existed (at coal fields and hydroelectric sites) and its transmission to communities where it was in demand. As a result, integrated electrical systems comprising many miles of high-voltage transmission line and more than one generating station took shape.

The first proposal for the creation of such a system in Saskatchewan was made in 1912. Others were put forward in the 1920s and 1930s, but not until the 1950s did construction finally get under way.

Why did Saskatchewan wait so long before establishing a modern power system? The standard explanation is that action could not be taken earlier because of such impediments as the depression and World War II. But this is far from the truth. Politics was an important cause. Though it was impracticable to effect the scheme outlined in 1912, such was not true of later ones.

During the mid-1920s the Government asked an expert if it was economically and technically advisable to begin construction of an integrated electrical system. The answer was yes. As a result, the Government appointed a royal commission to study the whole field of electrification and make recommendations. The commissioners reached the same conclusions as the expert, advising the Government, verbally at least, to commence building such a system at once, obviously intending to recommend such action in their report. However, when a proposal for joining together Saskatchewan cities by high-voltage transmission lines and supplying power to them from a large central generating station (perhaps located on the coal fields) was placed before representatives of the province's major cities they raised objections. They asked the Government to expand and utilize their generating stations as sources of power for adjacent areas. This brought politics into the picture with the result that the commissioners were prevailed upon to change their recommendations. The commission at the behest of the Government consequently urged the Government to take steps which can be interpreted only as leading to economic waste and which retarded rather than expedited provincial development.

In 1928 the Government began instituting the commission's recommendations for publicly owned northern and southern electrical systems based on generating stations at Saskatoon, Regina and Moose Jaw. But its efforts to do so produced few results when Regina turned its back on the scheme and Moose Jaw sold its electrical utility to a privately owned concern. Additional political decisions soon assured that any system the Government built would be little more than a showpiece to which it could point as evidence that it was following its declared policy of public ownership of electrical facilities.

While the royal commission was conducting its inquiry in the late 1920s, a number of private utility companies purchased the electrical systems serving dozens of communities and constructed some transmission lines. Soon thereafter the Saskatchewan Power Commission, created in 1929, did likewise. Meanwhile, certain municipalities, as already indicated, chose to retain their utilities. Consequently, the utility field was divided among a number of owners whose operations were governed by little in the way of overall logic. Hence, it was impossible to establish any large power system without a good deal of cooperation or a major rearrangement in the ownership of property. As if that was not bad enough, planning for such a system was virtually ruled out when the Government, partly influenced by the depression, secretly assigned zones to the Power Commission and the private companies.

During the 1930s a number of proposals were made which if instituted would have represented major steps forward technically and economically in electrical utility operations. However, none of them was adopted either because of the depression or because certain individuals failed to examine their merits.

Not until some years after the election of the Douglas administration did integration of electrical facilities really get under way. Soon after taking office, it authorized the Power Commission to purchase most of the private utility companies. It also undertook to have extensive studies made of the problems and possibilities of rural electrification. Among those called upon to report to the Government on rural electrical service was David Cass-Beggs. He pointed out that very little progress could be made in electrifying the province until Saskatchewan possessed more adequate generating facilities and a much improved transmission system including a high-voltage grid.

In 1949 the Government converted the Power Commission into a Crown company, the Saskatchewan Power Corporation. And during the next ten years or so the new corporation built hundreds of miles of heavy transmission line and a number of large generating stations. It also electrified a multitude of small urban communities, completed a massive farm electrification program and established a virtually province-wide natural gas system.

But the Corporation did not accomplish the tasks set out for it without difficulty. Bringing some of the cities into an integrated electrical system was by no means easy mainly because they had come to rely heavily on the electrical utility as a source of revenue. They feared, among other things, that cooperation with the Corporation would adversely affect their financial operations. The Corporation's tasks were also complicated by what one might call a "go slow" policy of the Government toward integration. As a result, the program was not completed without some economic waste and the financial burdens it involved were not distributed as equitably as they might have been among Saskatchewan residents.

Electrification of Saskatchewan farms and small communities, on the other hand, was accomplished more easily than expected. And the province's natural gas system was also laid out with relative ease. Experience in the electrical field aided the Government and the Corporation in avoiding potential problems when arranging for the distribution of natural gas.

The main story told in the book ends in 1964 when Regina finally chose to sell its electrical system to the Corporation. The decision meant that an integrated electrical system serving all of settled Saskatchewan could be completed.

The years following 1964 form part of a new phase in the life of the Power Corporation. Under the Thatcher and Blakeney administrations, it underwent a major reorganization, worked out new schemes for further expansion of service in areas already served and became increasingly active in the north. Inflation, the "energy crisis," and growth of concern about the possible harmful effects of energy production on society and the environment have also presented it with new challenges which it is at present attempting to meet.

The book grew out of a doctoral dissertation submitted to the College of Graduate Studies, University of Saskatchewan, Saskatoon in 1968 and is a revised and up-to-date version of the story told in that dissertation. In the course of completing it, I incurred debts to scores of individuals: to my adviser Professor W. Roger Graham, now of Queen's University History Department, and to the much respected and beloved Dr. Hilda Neatby, who together with Dr. Graham opened the door to graduate studies to me, encouraged me to undertake this project and did much to make it financially possible. Among other things, I shall always treasure the afternoon spent with Professor Neatby just days before her untimely death.

I also acknowledge with gratitude the assistance and encouragement of other individuals too numerous to mention by name: the directors, management, staff and retired employees of the Saskatchewan Power Corporation; the Ministers of the Crown past and present; the Saskatchewan Archives Board and staff; the Departments of the Provincial Secretary and Municipal Affairs; the Murray Memorial Library and Department of History, University of Saskatchewan; the *Leader-Post*; the officials of the Moose Jaw Board of Trade and the Regina Chamber of Commerce, and municipal officials in numerous Saskatchewan communities.

Special appreciation is also due Mr. E. Bruce Campbell, the Power Corporation's deputy general manager, for his assistance in recent months. Though busy he always found time to direct me to people possessing information I was seeking and to arrange to have records made available for my examination. Mr. Fred Ursel, manager of resource development; Mr. David J. Anderson, business manager; Mr. Ronald Fessant, public information supervisor; Mr. Sid Wollen, Librarian, and Mrs. Myrt Hutchinson, record retention clerk, among other members of the Corporation, were also very accommodating. Miss Eileen Forsyth and, at an earlier date, Mrs. Beverley Langton rendered invaluable typing assistance. And my former students, Miss Faith Kirkpatrick and Miss Janet Billesberger, gave generously of their time to help prepare the index.

I am also deeply indebted to the Canadian Plains Studies Center and its editorial board for the variety of tasks they performed to get this work into print and to my colleague at Campion College, Professor Germain Grisez, for reading the entire manuscript and for his numerous suggestions for its improvement. Lastly, there is my wife Alma without whose limitless patience neither the dissertation nor the book could have been undertaken much less completed.

Though the contributions of many individuals have strengthened the work, the conclusions and opinions expressed herein and any errors which may exist are the sole responsibility of the author.

Clint White

Campion College,
University of Regina,
August 1975.

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GLOSSARY

Capacity:	A term commonly used to denote the output of a piece of electrical apparatus; i.e. a generator may be said to have a capacity of 25,000 kilowatts.
Base load:	That part of the total load on an electrical power system which is supplied, as far as possible, by the most efficient generating units or stations, the remaining load being supplied intermittently by the more expensively operated equipment or stations.
Peak Load:	The maximum load on a generating station or power distribution system. It is often expressed in conjunction with an interval of time, i.e. daily peak, annual peak.
Load factor:	The ratio of the average load to the maximum load on an electrical circuit or piece of equipment during a given period of time.
Transmission line losses:	Energy loss in transmission resulting from the resistance offered by the line itself.
Tap-off:	A line extending from a main rural power line to a farmyard. Also referred to as run-off.

Part I:

THE POWER COMMISSION PERIOD

Chapter One

BACKGROUND: FORTY YEARS OF ISOLATED SYSTEMS

In the mid-1960s the publicly owned Saskatchewan Power Corporation achieved its final objective in a struggle to create a province-wide, integrated electrical system. In May 1965 it acquired the municipally owned power plant and other facilities serving the city of Regina. The event marked the end of a program which had taken about fifteen years to complete. It also marked the end of an era in electrical developments, a time when communities in Saskatchewan obtained power from individual, isolated generating stations. And though few recognized it as such, it marked as well the end of a period of economic waste spanning over thirty-five years, a time during which the citizens of the province or at least a declining portion of them utilized energy produced at unnecessarily excessive cost. Consider for the moment only one example. Of the large markets for electricity in the province, Regina was closest to the cheapest source of power, the Souris coal field, yet it was the last market which could be economically served with power from that source to choose to utilize it. Rather than do so, it kept expanding its own plant to produce increasing amounts of electricity with much more costly fuel.

Unlike most other areas in North America, Saskatchewan did not really begin building a fully modern type of power system until the 1950s.

Why was this so? The standard explanation is that the province could not have done so sooner because of such impediments as the depression and World War II. But this is far from the truth. It could have begun in the late 1920s had the Provincial Government then acted on the basis of economic rather than political considerations.

To appreciate either the accomplishments of the Power Corporation in the 1950s and 1960s or the follies committed by the Government in 1928 and during subsequent months when an official power policy of a sort was formulated, one must have a general idea of what an integrated electrical system is, how it functions and how radically its creation can transform the electrical utilities situation and utility operation within a given area.

In a few words, an integrated electrical system is one designed to produce electricity on a large scale at minimum cost and distribute it over a wide area. Such a system consists of a relatively small number of generating stations of moderate to large size joined to each other by high-voltage transmission lines. The operations of the plants are synchronized to such a degree that it is possible, though they may be widely dispersed, to utilize them almost as if they were housed under a single roof. Electricity from all plants energizes a high-voltage network, which in turn feeds a low-voltage or primary grid and associated distribution systems from which consumers draw their power.

During the present century many electrical systems of this type have been established in North America. As it became technically and economically feasible to substitute such a system for a number of smaller, unconnected ones within any given area, important economies resulted. Both operating and capital costs fell. By producing power in a few large plants for a multitude of communities and other purposes rather than in a greater number of smaller plants, mass production became possible. This facilitated both the installation of larger, more economically operated equipment and the generation of energy at the most favorable sites. At the same time, it permitted the reduction of stand-by equipment to a minimum. In order to possess reasonably secure service, a firm or community operating an isolated system had to have enough spare generating capacity to handle its load with its largest unit out of service. On the other hand, by integrating facilities stand-by capacity in any plant became reserve for all plants. Thus the total capacity required was much less and capital costs were cut to a minimum. Yet in spite of such reductions in expenditures, service was frequently more reliable as all plants in an interconnected system can assist any of their number experiencing difficulty.

Other advantages also resulted from integration of small systems. The number of operating and administrative personnel required to run an integrated system was smaller than that necessary to take care of a number of separate operations. The employment of highly skilled tradesmen and specialists was encouraged. Economies in the operation of equipment also became possible. Units could be brought into production or taken out on the basis of their operating costs, with the most economical equipment being used to supply as much power as possible. As well, all units could be operated at their most efficient loadings. Last but not least, full advantage could be taken of sources of cheap power and all available energy resources considered when expanding existing or erecting new generating facilities. The unification of the market resulting from integration at times made possible earlier rather than later development of sources of cheap power.

While it would be naive to suppose that a province-wide, integrated electrical system could have been constructed in Saskatchewan in the years immediately following 1928, the core of such a system could then have been established. And since that core would have included urban centres where the bulk of electricity was being consumed and it would have made possible the generation of power on a larger scale with bigger units at sites where operating costs were lower than at existing generating stations, substantial economies would have resulted. Moreover, such savings would have increased as the demand for electricity rose and the system expanded.

Electrical utilities appeared on the prairies quite early in what has been called the electrical age. In 1890, within a decade of the establishment of the world's first central generating stations in London and New York, private individuals took steps to erect three similar installations in what would become the province of Saskatchewan. That year, promoters obtained franchises and proceeded to lay out electrical systems in Regina, Moose Jaw and Prince Albert, the first commencing operations in the capital on November 15.[1] The facilities established were very small, the population of none of the towns having yet reached 2,000. The Regina utility's first boiler, for example, was rated at only seventy-five horsepower, while the first generator in the Moose Jaw plant had a capacity of only 350 lights.[2]

The primary, indeed sole, function of the utilities was to provide current for lighting. Consequently, they gave evening service only.[3] Customers generally installed a very limited number of bulbs, usually of the sixteen candlepower variety, which probably cost about a dollar and a half each per month to operate. Such bulbs produced about twice as much light as a kerosene lamp,[4] and hence were quite an improvement. Soon after the utilities began operating, municipal authorities also arranged for a limited amount of street lighting which they shortly placed on a "moonlight basis"; that is, they used the lights only on evenings the moon was not expected to shine.[5] The actual placing of streetlights and certain other matters seems to have presented officials with some touchy problems. Moose Jaw councillors, for example, considered calling a public meeting to determine where to place two free ones they gained in awarding the franchise. Regina, meanwhile, carried out tests to discover if lights should be placed at the centre or corners of intersections. One councillor expressed a desire to

PETER LAMONT: FOREMOST PROMOTER OF THE REGINA ELECTRIC LIGHT AND POWER COMPANY, the first utility to operate in what became Saskatchewan. (S.P.C. Photo Collection)

avoid the odium of placing them on corners and having opposite corners feel slighted. In the centre all would share a light equally.[6]

Problems confronting municipal councils, however, were insignificant compared to those of utility operators. The 1890s were not good years for pioneering in the electrical field in the three communities. Not only was the industry in its infancy, but economic conditions were far from buoyant. Profits appear to have been small and at times nonexistent, while breakdowns or complaints about the quality of service came quite frequently.[7] The main reward for operating a utility was likely the satisfaction resulting from providing a useful service. Not surprisingly, ownership of the systems changed quite quickly; and when the time came for municipalities to consider taking over, proprietors at both Regina and Prince Albert raised no objection. By then the Moose Jaw system had not been operating for a number of years, residents having reverted to the "Rockefeller coal oil lighting system."[8]

During the first decade of the present century waves of settlers streamed into Western Canada and laid the foundations of many of its present urban centres. As such communities grew, additional electrical utilities sprang up. In many instances these were municipally owned, in others privately owned. In all Saskatchewan centres which became cities they were established or soon acquired by civic authorities. The same often occurred in what became the larger towns. On the other hand, in some towns as well as in most villages private ownership prevailed. Except in one or two instances, isolated plants provided the service. This did not prove to be a wholly satisfactory method of supplying a population with electricity: in only a few places was economically priced power available or reasonably continuous service to be had. Yet very little could be done to alter the situation. At the beginning of the century electrical transmission was not highly developed. More than that, in the case of Saskatchewan advances in transmission technology alone could not change the form of utility operations. The province then as now was sparsely settled with considerable distances separating centres of population. Before transmission lines could be constructed to connect adjacent communities and serve them from a few major generating stations, consumption of electricity had to rise appreciably or there had at least to be indications that it would.

Judging by editorials appearing in newspapers at the time, the belief in public ownership was quite strong on the Prairies around the turn of the century. The conflict of farmers with elevator companies and the Canadian Pacific Railway Company produced distrust of privately owned monopolies. Such firms as Bell Telephone and Standard Oil (the latter's coal oil lit most homes in the Territories) did not escape attack.[9] Among urban residents this spirit often found expression in the municipal ownership of utilities. A Prince Albert paper must have summed up the thoughts of a good many people when it stated: "Electric service is one of a number of services which can be economically given by municipal corporations. . . ."[10]

At the beginning of the century, as already indicated, there were two central generating stations in what would shortly become Saskatchewan. Soon thereafter a number of factors interacted to bring about their acquisition by municipal authorities. The prosperity of prairie centres is to a significant degree determined by the state of agriculture. In the 1890s settlers had to accept depressed prices for their produce, while drought kept cereal crop yields low. Not until about the turn of the century was there a marked change for the better. Rapid settlement of the West, beginning just as this change was occurring, also did much to bring urban prosperity. Then too, a certain percentage of the new arrivals settled in urban centres.[11] The influx of people not only further augmented funds finding their way into municipal coffers, enabling communities to shoulder new responsibilities, but also increased demands for services which local governments had to provide. Meanwhile, other circumstances had also arisen or would soon arise to oblige civic officials to take up the utilities question.

When economic circumstances began to improve and the community started to expand rapidly, Moose Jaw found itself without electrical service. Hence, as soon as its Council was of the opinion that municipal finances could bear the cost, it took steps to establish a utility. In the summer of 1903 after lengthy discussions and receipt of a consultant's recommendations, it put proposals for sewage, waterworks and electric light systems before the burgesses who approved them by an overwhelming majority.[12] If anything the consultant's report increased Council's determination to have its own electrical utility, predicting as it did that the Town could "construct the system and . . . operate it more cheaply than any private company, and . . . have the satisfaction of managing it."[13] During the course of arranging its modernization program, Council also obtained city status for the community so as to augment its powers of local government and increase its borrowing power in order to finance the undertaking.

In Prince Albert meanwhile a growing shortage of electricity coupled with statements by the local electrical company that it could not expand its operations caused the municipality to act. Concluding that it could improve street lighting, institute all-night service, and reduce rates at no cost to the taxpayer, Council arranged to buy the existing utility and construct a new generating station to meet the community's electrical requirements.[14] Regina, on the other hand, appears to have chosen to operate its own utility on more abstract grounds. It had sufficient electricity, and the company providing service was prepared to expand to meet growing demands. However, prior to making further investments the firm wanted a twenty-year franchise. Council was not prepared to enter such an agreement, Mayor J. W. Smith speaking out strongly in favor of municipal ownership, which, it was argued, would lead to cheaper and better service. Consequently, the Town proceeded to draft an improvement program similar to that of Moose Jaw, marshall public support for it, and obtain city status to facilitate financing. That done, municipal authorities acquired the existing utility, a not too difficult task, its owner having publicly declared that anyone who did not support Council's program ought to be kicked out of town.[15]

As a result of the decisions of the three councils, all central generating stations within its boundaries when Saskatchewan achieved provincial status on September 1, 1905 were municipally owned. As part of the celebrations marking the coming of age, Regina was illuminated by a great many lights. In a sense, the display was symbolic. Electric lighting would soon spread to a multitude of places throughout the province, while the policy the three centres adopted was to be applied time and time again. Moreover, the three communities entered the electrical utilities field under quite auspicious circumstances. Within weeks of Regina taking over its system, its plant was operating at full capacity. Expansion of service had to be curtailed until it completed and opened a new generating station early in 1905. Consumption of electricity was increasing everywhere more rapidly

SASKATOON POWER PLANT, 1910. (Saskatchewan Archives)

than the most optimistic estimates. Moose Jaw was advised to install a seventy-five kilowatt generator to meet needs of the first few years but decided in favor of 100 kilowatts. Within a year of the plant's opening, machinery had been acquired to double its size. The Prince Albert utility too found itself in relatively short order unable to meet all demands for current.[16]

Less than two months after the Province was created, the citizens of Indian Head voted to spend over $20,000 on an up-to-date lighting system. The boom was just getting under way on the Prairies, and Indian Head, in common with a number of other towns, wanted to get in on the ground floor. Local officials were pleased with early expansion; the town already boasted a sash and door factory and a flour mill which, incidentally, had operated its own electric lighting system since 1899.[17]

In 1906 one of the most rapidly expanding centres in the province, Saskatoon, also launched a modernization program. No one suspected at the time that roughly two decades later, the electric light plant being erected would become a key to provincial power developments. Meanwhile, Weyburn, Battleford and Wolseley also undertook to operate their own electrical utilities as did North Battleford a short time later. Then in the dynamic years immediately preceding World War I municipally owned plants sprang up in no less than twenty communities, nine being erected in 1913 alone. With the war, expansion was greatly reduced. Equipment and money for such facilities were both in short supply. Consequently, during the war years only seven new plants appeared.[18] In the postwar period construction never again reached its former level. By 1927, when the

Saskatchewan Power Resources Commission began investigating the provincial electrical situation, only slightly over a dozen additional municipalities had established or otherwise acquired their own electrical systems.

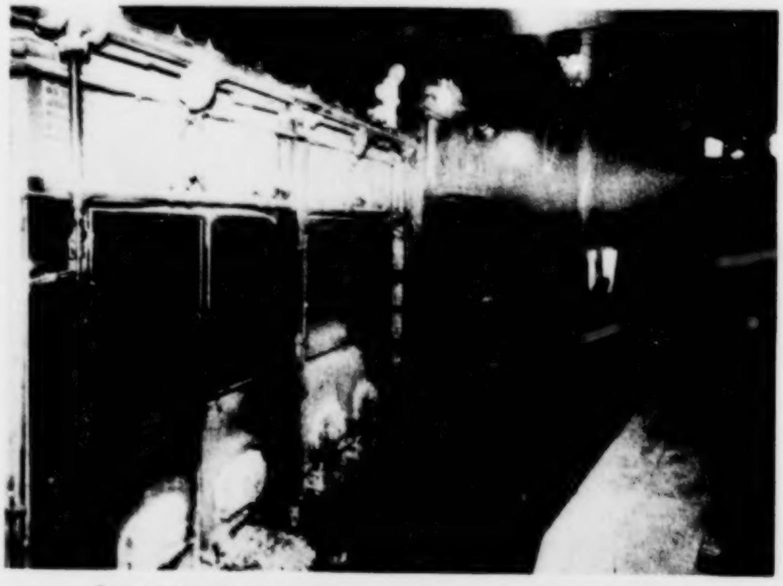
The utilities established by municipal authorities varied greatly, not only in size but also in the type of system installed and in the components of the powerhouses themselves. In 1918, for instance, the Earl Grey power plant had an installed capacity of ten kilowatts. At the other end of the scale was Regina with 6,800. In between were a considerable number of communities with capacities ranging from twenty to 100 kilowatts, a half dozen larger towns with 100 to 400, and the other cities with 760 to 6,000. In well over half the cases, plant capacity consisted of a single generator ranging in size from ten to 150 kilowatts. Most of the remaining communities, including some of the cities, had two. Only in Moose Jaw, Regina and Saskatoon were fairly large generators to be found, the largest being a 3,200 kilowatt unit at Saskatoon. All of the cities and a few of the towns relied on steam to drive their generators. Others employed diesel engines. A larger number used producer-gas engines, while a few of the very small operations depended upon kerosene-burning internal combustion engines and generally supplied direct rather than alternating current service.

Though city plants operated around the clock, few others did. Among the towns only Estevan, Yorkton and Battleford had continuous service, the last obtaining power from North Battleford via a short transmission line in preference to continued operation of its own plant. As well, in a few small centres, batteries, charged while the plant was operating, gave direct current service during the remainder of the day. Rates ranged downward from twenty-five cents per kilowatt-hour. And, all things considered, service was not all that could be desired.[19]

Records relating to the electrical utilities of what became Saskatchewan's three major cities, Regina, Saskatoon and Moose Jaw, demonstrate a rapid increase in consumption of power. For the first few years, the rise in kilowatt output was phenomenal, annual increases ranging from about eighteen to 103 percent. Thereafter, demand rose at a slower rate until the late twenties when an upswing again occurred. A comparison of kilowatt output to expenses well illustrates the advantages of increased output. While total expenses rose, their increase was small in proportion to the number of kilowatt-hours produced. And the relationship between kilowatt output and revenue indicates a gradual decline in price of energy to the consumer. In Regina, for example, domestic lighting rates fell from nine cents per kilowatt-hour in 1907 to a graduated charge ranging from six to four cents in 1924. Finally, surpluses reported during fifteen or so years ending in 1927 clearly indicate that the cities had entered a profitable field. Saskatoon recorded a net loss in only one year, Regina in two, and Moose Jaw in three. Moreover, such losses appear to have been for reasons largely beyond the control of municipal authorities.[20]

The degree of success achieved by the three cities in the operation of their electrical systems was the product of a number of factors. First and foremost, it was the result of the economies of increasing production. Growth of loads permitted the installation periodically of fairly large units which produced current quite economically. This enabled these cities to take advantage of advances in the design of electrical equipment. Usually, new equipment was superior to that already on hand. Consequently, such equipment when placed in operation was used to carry as much as possible of the load at all times with less efficient equipment being used only at times of peak demand or for stand-by in emergency. The men behind the machines were also an important factor. Electrical superintendents E. W. Bull of Regina, E. C. Hanson of Saskatoon and J. D. Peters of Moose Jaw were all instrumental in improving their plants.[21]

Nevertheless, the three plants had two major shortcomings. First, they grew in capacity as the cities expanded and hence comprised a collection of units of various dimensions. Each time a new unit was added, peak load had risen above the level at which it had stood when the previous addition had been made. Thus larger units were added. Their use brought down the costs of production. But as consumption grew after each addition, older units had to be brought back into service for longer and longer periods of time, forcing costs upward again. Secondly, because each unit added was larger than others in the plant, proper stand-by capacity did not



STOKE HOLE, REGINA POWER PLANT, 1914. (Saskatchewan Archives) always exist. If something went wrong with the new unit there might be no spare on hand with which to replace it. Accidents, therefore, might and did result in blackouts and power shortages.

A practice of municipal authorities which appeared during the period was also to have an adverse effect on electrical utility operations. Over the years the utility came to be relied upon more and more as a source of municipal revenues. This resulted in rates being kept at unnecessarily high levels, restricting consumption and in turn preventing production costs from falling even more rapidly than they did. The practice also conflicted with an argument used to support municipal ownership, namely that under such a method of operation service would be provided as cheaply as possible. Much worse, as will be seen, it led in time to the utility becoming so mixed up with municipal financing that in some instances power costs seemingly came to be viewed as secondary to municipal revenue. In addition, in the case of Saskatoon, it appears to have led quite quickly to more revenue being extracted from the utility than should have been. By the late 1920s the City had reached a position where it had to build a new plant to meet the energy requirements of its citizens while debts against the existing one were less than half paid off.[22]

Records indicate that what was happening in the larger cities was being repeated more slowly and on a smaller scale in other cities.[23] Here, however, the size of markets set narrower limits on the efficiency which plants could attain. Equipment was smaller, seldom if ever replaced and less economical to operate. As well, greater intervals elapsed between the installation of new units; second-hand units were at times installed, and modifications to equipment were made less often. Officials in such places seem to have been more prone than their counterparts in the major cities to put off expenditures on equipment as long as possible.[24] Owing partly to such differences, production costs and selling prices for current at Swift Current, Weyburn, North Battleford and Prince Albert were higher than in the other three cities.

On the whole, towns operating their own electrical systems were in a very different position. Financial statements for the years 1922 to 1926 inclusive and other records show that only about a quarter of them were increasing their consumption of electricity at rates approaching those of the cities. The relationship between revenues and expenditures was not all that could be hoped for either. Only about a third, including some which were actually operating at a loss, showed a surplus for the period. Losses in some cases were also larger than indicated, capital costs being understated. By and large, rates were high; and figures are not indicative of any general downward trend. On the contrary, it would appear that in many cases a rate increase was in order to balance the budget.[25]

In the majority of cases municipal operation of electrical utilities in Saskatchewan towns cannot be described as successful. This was not necessarily due to mismanagement or inefficiency. Basically it was the result of the limited size of such operations. This placed municipal authorities in a dilemma. Both rates and costs were high. In order to increase revenue, consumption had to be stimulated. The best way to accomplish this was to reduce rates and increase service. Increased service, however, meant higher operating costs, perhaps involving the hiring of an additional man and possibly greater capital costs if another unit were required for the plant. Frequently, prospective business simply did not warrant such steps being taken.

But the causes of failure, in some cases, went deeper. Indeed, they were to be found in shattered dreams which had given rise to unrealistic planning. The first *Annual Report* of the Local Government Board stated: "In the years 1905 to 1913, owing to the rapid growth in the population of the Province, . . . there was a consequent necessity for the extension of public utilities. This unprecedented increase in population and the increased business being done resulted in a very optimistic outlook on the part of local authorities . . . . In many instances small municipalities were creating public utilities suitable for municipalities several times their size, and the general idea seemed to be to let the future take care of itself."[26]

While not the worst offender in this respect, Indian Head was one of the towns to suffer the consequences. For many years after being established, its plant carried a very small load. In the late twenties, the Town decided to increase efficiency by installing smaller equipment and requested Local Government Board authority to do so. Upon examining the merits of the case the Board refused to sanction the expenditure on the basis that it was "scarcely warranted" by the "small economies" it would produce.[27] For Indian Head the operation of its own generating station held little promise for the future: it would likely continue to lose money.

In a sense the Government had encouraged such developments. Legislation enacted in 1906 permitted municipalities to finance electrical utilities over a much longer period than the life of such facilities and provided for the incorporation of small communities into towns.[28] Simultaneously, government departments maintained only a general supervision over municipal borrowing. Not until the creation of the Local Government Board in 1914 was there any agency dealing with all borrowing whose duty it was to acquaint itself with immediate and probable future needs of municipalities.[29] It was during these years that communities such as Scott and Battleford, taking advantage of circumstances, embarked on programs which, though designed to purchase prosperity, only succeeded in mortgaging the future.

Humboldt also established debts beyond reasonable limits and suffered "exceedingly heavy losses" on its light plant. But here, as in certain other cases, problems of a technical nature were largely the cause. The town was simply too small and in a poor location for a power plant employing steam. It should have installed a diesel rather than a steam engine as was suggested when the plant was being planned. As it was, the hard water used for condensing purposes quickly ruined the plant's boilers. Thereafter, it took imagination and great effort on the part of municipal officials and others to get the utility into a position where, even in the best of times, it was able to carry itself.[30]

In other instances, utilities suffered from questionable or clearly faulty management. Melfort, for example, built its system at an inopportune time and had to pay a high rate of interest, eight percent, on its debentures. During the first five years, like numerous other communities, it set nothing aside to pay off the debt created. And when it came time to raise more capital for plant expansion in the 1920s, it sold part of the new debentures for only eighty cents on the dollar. Not surprisingly, by the time the Local Government Board was through dealing with municipal officials, their electrical rates had risen all the way from thirteen to twenty cents per kilowatt-hour so that the system might carry its debts.[31]

In a couple of other cases, financial mismanagement was much more blatant. Electrical utilities were supposed to be self-supporting, but at times municipal authorities did not attempt to make them so, even going so far as to ignore specific instructions from the Local Government Board.[32] Finally, in establishing utilities the amount allocated was not always used to best advantage, nor were some systems maintained nearly as well as they might have been.[33]

While town officials in a number of cases were open to criticism for the handling of their utilities, certain things may be said in their defence. All too often they were under pressure from consumers to set rates lower than production costs warranted. Being members of the same community, they sometimes found such pressure difficult to resist. Genuine efforts were made, by some, to economize. These might take the form of purchase of second-hand equipment. Generally such acquisitions appear to have worked out satisfactorily, but there were exceptions and it took only one to burden a utility with debt for years or significantly raise operating costs. Furthermore, to a considerable extent a town depended on the man in charge of its plant to see that it was run economically. Municipalities did not always have, nor could they afford, experts for such positions. Last, but by no means least, in most cases towns and their employees were struggling with problems which simply could not be solved by individual communities. The Local Government Board was very close to the whole situation. While pointing out that there was "careful and business-like operation of some municipal plants," it asserted "that the isolated unit serving a small population could be operated only with economic waste."[34]

While many of the smaller centres in Saskatchewan assumed the responsibility for constructing and maintaining light plants, there were those which for various reasons chose (or were obliged) not to. A great number of them likely realized that they did not have the resources to support such a utility. Some preferred to acquire other improvements first. And there were still others which, while planning to establish their own

KINDERSLEY POWER PLANT, 1914. (Saskatchewan Archives)

systems, could not do so because of limitations on their borrowing power or unavailability of markets for their debentures when they tried to borrow.[35] As a result, small privately owned power systems, numbering roughly seventy, appeared during the two decades from 1906 to 1926.

Privately owned plants came into existence in a number of ways. A few were established for the sole purpose of producing and selling current. In some instances, individuals set up plants in conjunction with some line of business where electricity was required. Here a firm installed generating capacity larger than needed for its own use. At other times such utilities simply grew out of established businesses as a more or less natural form of expansion. Finally, on occasion, a small plant intended to supply only an individual was extended to serve a few neighbours.

One of the first small, privately owned generating stations was established at Milestone in 1906. Its founders planned to operate it in connection with a machine shop and a small foundry.[36] During the same year the Moore Milling Company of Qu'Appelle made arrangements to extend its system to the town. This was the first of a number of mills to take such a step. Among others, the one at Maple Creek became one of the largest locally owned private utilities in the province and was one of the few to run on a continuous basis. Another of the larger concerns served the town of Shaunavon. Its origin was unique in that its equipment was first installed in a hotel which it was intended primarily to serve. Not a few, like the plants at Eastend and Wilcox, grew out of garages, while the one at Admiral was operated in conjunction with and was housed in the livery stable. In some cases the utility aspect was very definitely a sideline. The Ladder Lake Lumber Company of Big River, for example, sold a small part of the power it generated for its mill, mainly to employees.[37]

While many municipally owned plants were small, those of the private companies were even smaller. In 1926, for instance, the Power Resources Commission reported that the forty-three municipal plants in towns and villages had one and a half times the capacity of the sixty-eight privately owned concerns.[38] Because of the size of operations, most firms relied on kerosene-burning engines, a few on producer-gas or diesel engines and only three on steam, two of which were not primarily concerned with power production and needed steam boilers for other pruposes. Then too, approximately half of their systems depended on one engine and a single direct current generator for their power supply.

Practically without exception rates were high, in some cases extremely so. The average charge per kilowatt-hour at Readlyn and Briercrest in 1926, for example, was forty-five and thirty-five cents respectively. Yet this was not necessarily exorbitant. The proprietor at the former place made under $400 that year while at the latter the firm operated at a loss.[39] At the time of the Saskatchewan Power Resources Commission inquiry total annual output of privately owned utilities ranged from slightly over 2,000 kilowatt-hours at Readlyn to over 360,000 at Shaunavon. Of the thirty-four firms reporting such figures, twenty-seven were showing a profit,[40] but an average profit of approximately $1,400, which was probably not excessive. And when it is considered that five of the thirty-four plants accounted for roughly two-thirds of the profits, it seems quite evident that the proprietorship of the average small electric plant was not a position to be much sought after, from the financial viewpoint at least.

There were both advantages and disadvantages accruing from the appearance of the small privately owned concerns. First and foremost, it made possible the extension of electric lighting to many towns and villages which would not otherwise have had such service. In addition, such a form of operation removed responsibility for provision of such facilities and their successful operation from the shoulders of councils. In some of the smaller centres this unquestionably saved the municipality from financial losses. At least a few of them would have established their own systems had not individuals done so, and some which did would have had no other utility in conjunction with which to operate a light plant. Operating costs would therefore have been very high. Here the village garage with its oversized generator came into its own. Only in conjunction with some such form of business was it at all practical to operate the very small systems.

Among the disadvantages, one of the most frequently voiced concerned service. While some firms were excellent in this respect, and many more were fair to average, others were inadequate. Some companies had insufficient power for the size of their distribution system and the wires used for distribution were too light.[41] Complaints about such firms providing inferior service were well founded, but the solution frequently put forth, a municipally owned system, was not a wholly satisfactory one. Municipal systems were also at times overloaded or of flimsy construction.

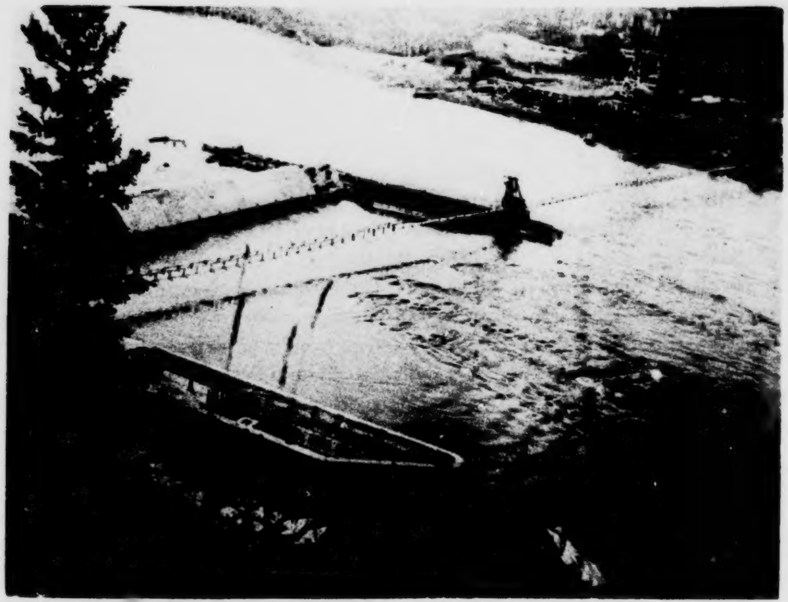
A second disadvantage of the small, privately owned systems had to do with rates. These were high, indeed at times they were alleged to be exorbitant. Under municipal ownership consumers could check on the cost of production with their local government. Under private ownership they had to rely on the word of the proprietor or arrange for an inquiry by the Local Government Board. An investigation took time and might accomplish little more than to disclose that the lighting company did not keep a record of its operations.[42] Such firms were not required to keep books systematically until the late twenties.

Third, and more serious, was the dependence of a community on an individual for what became, upon installation, an essential service. People also made an investment when they installed electricity. Under private ownership it sometimes lacked security. The owner of a plant could dispose of it or discontinue service at any time or on any pretext unless prevented by a franchise from doing so. This placed him in a position to act arbitrarily if he chose, and there was little recourse open to his customers.[43] The meagre amount of evidence of such occurrences, however, indicates that they were the exception rather than the rule. Moreover, detailed records such as exist suggest that in most cases the small private utility was simply one of a number of businesses in a community whose proprietor attempted to provide reasonably satisfactory service for a moderate return.[44]

Prior to the late 1920s when communities began to be tied together by transmission lines designed to serve a number of them from centrally located generating stations, the electrical utility in any given community, as has been seen, operated independently. Under such circumstances breakdowns or even periodic overhauls might mean a stoppage of service, ranging in time from a few minutes to a number of weeks. That the situation was unsatisfactory was recognized. From time to time during the twenties officials of Regina and Moose Jaw discussed connecting up their respective plants so that each might assist the other in emergencies. However, nothing came of the discussions. Some of the smaller municipalities also considered somewhat similar solutions to their problems. In 1920 Qu'Appelle, for example, seriously thought of building a transmission line to Indian Head and purchasing power there. At about the same time Lumsden attempted to realize an even more forward-looking scheme. For a couple of years, it promoted various ideas which if adopted would have led not only to itself but also a number of other communities obtaining fairly economically priced energy from Regina.[45]

One of the most power-minded centres and the spawning ground for a number of schemes for changing the electrical utilities situation was Estevan. Located on the coal fields, the town had much to gain from large scale production of electricity in southern Saskatchewan. Many people regarded it as the logical site for a major generating station from which transmission lines would radiate in all directions. Over the years its Board of Trade sought to bring about wider use of local resources for such purposes. Under Board auspices such pamphlets as *Estevan, The Power City of Saskatchewan* appeared in 1914, and an electric power convention was held in the community in 1919. At the same time Estevan members of the legislature, such as Dr. J. F. "Lignite Jim" Creighton, kept the Government informed of the dreams and schemes of their constituents.

The early years also witnessed a number of proposals for hydroelectric projects. Moose Jaw citizens were the first in the field, promoting a scheme for harnessing Moose Jaw Creek. A few years later Saskatoon looked hopefully to the South Saskatchewan and Battleford had visions of damming Jackfish Creek.[46] In all three communities such ideas were but briefly considered and then discarded; only in Prince Albert did they firmly take root. There various proposals involving either the North Saskatchewan or the Shell River were examined. The City finally placed its chips on Lacolle Falls, only to find there was a joker in the pack. When the project



LACOLLE FALLS POWER PROJECT ON THE NORTH SASKATCHEWAN RIVER EAST OF PRINCE ALBERT AS VIEWED FROM NORTH BANK, 1916. (Saskatchewan Archives) was roughly half completed funds necessary to finish it could not be raised. Shouldering the heavy burden of debts incurred, Prince Albert had only a hollow concrete monument to an unfulfilled dream.[47]

Fortunately no other Saskatchewan scheme for improving the electrical supply ended like the Lacolle Falls project. Some, however, immediately proved impractical and, no doubt, productive of a little mirth. For example, in 1910 the Association of Rural Municipalities' annual convention passed a resolution requesting the Government to change the laws "so as to enable farmers to manufacture alcohol for heating, lighting, driving machinery, free of excise, and issue bulletins of the methods used in manufacture." It estimated that "an acre of potatoes would give enough alcohol to supply a family with light and fuel" for a year.[48] The Government, of course, turned a deaf ear to the suggestion, but quite a number of farmers may have decided that it was not altogether bad. Somewhat later the Mounted Police reported that there were more illicit stills in the province than in the rest of Canada, adding: "The illicit distilling industry is almost solely, as far as Saskatchewan is concerned, an adjunct of the farming industry . . . ."[49] While there is nothing to suggest that the widespread presence of alcohol led to any farms being lit, there is ample reason to suspect that quite a number of farmers were!

While such varied developments were taking place throughout Saskatchewan, events were occurring elsewhere which influenced or were soon to influence the area. Electricity was being applied to industry on an ever-increasing scale, much of Canada's productive capacity relying heavily on cheap electric power. In laboratories and workshops, new discoveries and inventions were being made. During these years, the tungsten lamp and more and better appliances appeared. Equally important were the advances made in the technology of power production and distribution. Schemes once considered impractical were year by year being turned into realities. Also of significance for Saskatchewan, large scale publicly owned power systems were proved feasible. The Ontario Hydro Electric Commission, established in 1906, demonstrated that such an organization could provide good service at low cost. From time to time, the Government examined the local situation to determine whether such a program could be applied to Saskatchewan. As the Province approached its twenty-first birthday, another such study was about to begin. Saskatchewan had much to gain if investigation should demonstrate the practicality of such an undertaking. Compared with the majority of her sister provinces, her position in respect to electricity left much to be desired. Though among the nine provinces she stood third in population, she ranked sixth in installed capacity and seventh in current generated. As well, she alone had developed no hydro-electric sites.[50]

The Saskatchewan Government has been involved in provincial electrical developments almost since the birth of the province. Ever since 1912, except during brief intervals, it has been associated with one project or another connected, at least to some extent, with electric power. That year it committed itself to financing studies to determine whether Souris lignite coal could be utilized for, among other things, generating power. The decision was probably in part a response to discussion in the legislature during the preceding session. In 1911 Frederick Haultain, leader of the Opposition, had called upon the Scott administration to secure control of provincial coal fields and waterpower sites at once with the ultimate purpose of establishing a cheap fuel supply and a provincial electrical system controlled and operated by the Province. To support his proposal, he had pointed out that electricity was being transmitted over distances of 200 miles in Illinois and stated that an expert had told him it could be generated at the coal field 120 miles from Regina, transmitted to the city and sold for half the existing price.[51]

Though Government members threw cold water on Haultain's resolution, the following year they brought in one of their own on power development. During the interval George Bell, the member for Estevan, investigated experiments involving North Dakota lignite. These experiments suggested that while raw lignite — with its high moisture and low heat content — was unsuitable for power production, it did have definite possibilities. If properly processed it might be converted into cheap fuel and its by-products used to generate economically priced power. Referring to the great potential importance of Saskatchewan lignite reserves and the lack of knowledge about their utilization, Bell introduced a resolution urging the Government to take the necessary steps to determine "the possibility and cost of developing and transmitting electrical power generated on the coal fields" and "the most economical form and manner in which lignite coal may be used as a fuel for domestic purposes."[52]

This time the proposition received a warmer reception. James Bole, Regina City, referred to the great work being done in Ontario by the Hydro Electric Commission in developing Niagara Falls. Acting Premier James Calder declared that the Government should obtain the best experts to conduct an inquiry, and if it was shown that the production of power was practical, it "should own, control and operate any system which may be inaugurated."[53] The Opposition fully endorsed the scheme, Haultain asserting that cheap power would make Saskatchewan a manufacturing area.

Before examining what followed, it is important to observe that Bell's resolution called for an investigation with twin objectives, economical power and cheap fuel. In the course of the inquiry the two goals were found to be indivisible. Generation of power was viewed as being dependent on the simultaneous production of fuel. Production of the latter, in turn, required discovery and large scale application of processes which would convert lignite into a suitable fuel. It was in this latter step that problems arose.

Less than three months after passage of Bell's resolution, the Government acted upon it. It retained a consultant, R. O. Wynne-Roberts, to provide information on four subjects: conversion of lignite into a marketable fuel, utilization of lignite to generate power, the cost of electrical transmission from the coal fields to various communities, and potential markets for electricity.[54]

In carrying out his investigation, Wynne-Roberts gathered information on power production costs and trends and the utilization of inferior coals not only in North America but in Europe. And when reporting to the Government he painted a rather rosy picture, at least where the future of power development was concerned. On the basis of his findings and estimates of the cost of a transmission system energized by a plant at Estevan he concluded with reference to Southern Saskatchewan: " . . . lignite deposits . . . can be utilized at the coal centres for the production of power . . . . The generation of electric power at such coal centres is both a practicable and commercial possibility, and its distribution at a low rate per kilowatt is feasible, if the larger municipal authorities will cooperate by taking power in bulk . . . . It is not possible by means of imported fuel consumed at individual power stations to produce as cheap electricity . . . as can be done in bulk at the coal centres and deliver same to the points of consumption."[55] In short, he suggested that the Government begin considering construction of an integrated power system for part of Saskatchewan based on cheap power generated on the lignite fields.

However, when it came to actual generation of power, he was less certain as to how this might best be accomplished. He was of the opinion that the most advantageous method would be to carbonize lignite by application of heat, using some of the gas driven off to carbonize additional lignite and the rest as fuel for gas engines which would in turn drive generators. But since reliable data on the use of Saskatchewan lignite was very meagre, he could not recommend that the Government proceed at once to establish electrical facilities. Rather, he urged it to undertake further studies to determine, among other things, lignite's value as a source of gas and power.[56]

On the whole the report was well received, and within a few months the Scott administration hired S. M. Darling, an expert on coal and power, to conduct additional studies. It also arranged to establish a lignite experimental station, as recommended by Wynne-Roberts, on the Souris coal field.

Darling's work quickly demonstrated that Wynne-Roberts had been overly optimistic about potential power developments, boom conditions preceding World War I having perhaps led him greatly to overestimate future electrical requirements. Darling concluded that the southern Saskatchewan electrical market was too small to warrant the heavy expenditure involved in establishing a transmission system radiating from the coal fields to supply it. Nevertheless, like Wynne-Roberts he believed that carbonization of lignite held out great promise for the future. When carbonization yielded an acceptable domestic fuel, the excess gas produced in the process could be used for electrical generation, the only limit on the amount of power produced being the quantity of lignite carbonized. And he went on to predict how an electrical system would eventually extend outward from the coal fields: "When a lignite carbonizing and briquetting industry is established and when power at Niagara rates is available . . . transmission lines will begin to radiate in the several directions required by commerce, and the power system will evolve naturally, step by step, in consonance with the industrial development of the province. Any other method would be commercially illogical."[57]

Even before receiving Darling's report, provincial authorities had indications of what his conclusions would be. Consequently, their interest centred more and more on utilization of lignite as a source of cheap fuel rather than electricity, that is to say, on conversion of carbonized lignite into briquettes.[58] And before long what was believed to be a satisfactory briquette was developed. However, by then the Government was not prepared to undertake its manufacture on a commercial scale and shut down its experimental station.[59] The main reason for its decision probably was the outbreak of war.

During the war private enterprise attempted to pick up where the Government left off. During 1914 Darling, together with J. A. Brandon, an Estevan real estate operator, and W. J. Falconer, a Winnipeg salesman, organized The United Natural Resources Company, later renamed the Saskatchewan Coal, Brick and Power Company, to produce and market electricity and gas among other things. Shares were sold throughout south-eastern Saskatchewan and, to a lesser extent, elsewhere. But the venture proved a failure. Though strongly backed by the Estevan Board of Trade, the company never got off the ground, and in the fall of 1919 it went into voluntary liquidation.[60]

Roughly a year before the Saskatchewan Coal, Brick and Power Company became defunct, Saskatchewan, Manitoba and the Federal Government established the Lignite Utilization Board and authorized it to construct a new experimental plant at Bienfait. The Board's stated objective was "to demonstrate the commercial feasibility of producing a carbonized lignite briquette for domestic consumption."[61] Created and financed by the three governments, it was not authorized to investigate the possibilities of electrical power development. Not until the early twenties was it in position to announce that it had developed the processes for the commercial production of a suitable briquette. But by then complicating factors had been injected into the fuel question, while technical developments called for a complete re-examination of the whole question of power.

In a report to James G. Gardiner, Minister of Highways, Robert N. Blackburn, Chief Mechanical Superintendent with the Department of Public Works, placed the coal and power situation in sharp relief. While stating that a satisfactory briquette could be produced from carbonized lignite, he questioned the ability of the product to compete in the existing domestic and commercial fuel market. During the time the lignite investigation had been proceeding, the fuel situation had materially altered. When the inquiry began, anthracite coal was the fuel in general use for domestic heating. However, it had become increasingly difficult to obtain and had risen in price. Thus, cheaper Alberta coals had taken over much of the market. Unless lignite briquettes could compete against these less costly fuels, any attempt to produce them would be an inevitable commercial failure.[62]

Blackburn went on to report that the value of by-products from carbonization would not defray the costs of their recovery: the researches of the Lignite Utilization Board "clearly proved that the production of gas, tar and ammonia had been greatly overestimated."[63] Careful study had shown that the gas produced during carbonization was scarcely sufficient to supply the heat required for the carbonization process. In short, the whole idea of utilizing excess lignite gas as a fuel with which to generate electricity was almost completely overthrown. Darling had reversed findings of Wynne-Roberts only to have part of his own findings overturned by the Lignite Utilization Board. Cheap power, if it were to be obtained from lignite, had to be derived by some other method.

In spite of the fate suffered by the Wynne-Roberts report, in certain respects, it is an extraordinary document. Its author was evidently a man of vision. From all appearances he was the first individual to draw up plans and make proposals for integration of electrical facilities in Saskatchewan. Had it been possible to construct a system including Regina, Moose Jaw, intermediate communities and a central generating station as he suggested, the advantages of integration would have accrued to the citizens of the province much sooner than they did.

In the years immediately preceding 1925, when Premier Dunning announced his Government's intention to undertake what proved to be the final investigation leading to the establishment of a provincial power policy, the power question was more or less in the background but not forgotten. Some members of the Government and their subordinates in the civil service took a continuing interest in the matter. Among these, one might mention Samuel R. Parker and W. P. Brattle, engineers with the Saskatchewan Government Telephones, Dunning himself, an occupant of many posts in the provincial cabinet, and Robert N. Blackburn. Sharing their interest were individuals engaged in the electrical industry itself.

Though investigation had shown that a provincial power scheme embracing a central power station on the coal fields and transmission lines carrying current to centres of consumption was impractical, there was periodic debate on the subject. By the mid-twenties what might be called two schools of thought had appeared. That represented by Blackburn maintained that immediate establishment of a central generating plant at Estevan was not economically feasible, though it would be in the future when a plant might be erected to supply local power demands with lines gradually being extended outward over much of the province. This group foresaw the continuing operation of plants at Regina, Saskatoon and Moose Jaw, at least for stand-by purposes. For them, a plant at the coal fields was to some extent bound up with a carbonizing and briquetting plant in which power would, in a sense, be a by-product. On the other hand, Parker and Brattle believed that a central plant at Estevan was economically possible, and that a large one should be established. Immediately upon construction it would be linked with Regina and Moose Jaw to form the backbone of a southern power system. City plants would be taken over and eliminated as they became obsolete. Economic development of the lignite fields and other resources, men of this viewpoint maintained, could only be brought about by erection of a super generating station at the mines capable of supplying southern Saskatchewan with electricity.[64]

The Honorable Charles Dunning was no doubt aware of both points of view. Moreover, as a result of heading numerous government departments in the late teens or early twenties, he was well acquainted with the general state of affairs in the province. All in all, he did not like the lopsided way in which development was taking place. Prosperity depended too much on seasonal cereal agriculture. Cheap power, he believed, would assist in rectifying the situation.

When lignite studies passed into the hands of the Lignite Utilization Board and investigation of power development ceased, Dunning attempted to get the Honorary Advisory Council for Scientific and Industrial Research (forerunner to the National Research Council) to intervene with the Federal Government. He also hoped to get experts of the Advisory Council to investigate the whole field of power development in the province. A thorough investigation, he thought, should be made by some authority "entirely independent of any local bias." As he put it, "The financial issues involved are too grave and widespread in their nature to consider for a moment doing anything definite except on the advice of independent technical experts of the highest class . . . ."[65]

During the early 1920s, concern over the slow pace of industrial development became more acute in official circles. Interdepartmental memos called for action. One such memo, addressed to Dunning, pointed out that Saskatchewan had discovered the use for volcanic ash, but the plants to process it went to Winnipeg and Calgary; that Saskatchewan produced excellent clay, but shipped it to Medicine Hat; that she possessed the resources for a number of other industries, but these were not being developed. The reason, it claimed, was the lack of cheap power.[66] In due course the Government became convinced that this was the case; attention again centred on power and a preliminary investigation was carried out. Its findings prompted the Government to decide to study all aspects of the question. Consequently, in May 1925, Dunning, in referring to industrial development, announced:

> In working on this question the Government reached the conclusion that the absence of cheap power is the greatest handicap. . . . We have great potential sources of power both North and South in the Province. Preliminary investigation by the Government reveals that great scientific developments especially in regard to more economical long distance transmission . . . have occurred in recent years. The results of this preliminary investigation justify the Government in proposing to engage a small body of experts to examine the sources of power within the Province in relation to their possible use with a view to evolving a Provincial power scheme to supply cheap power to our communities for industrial and agricultural purposes.[67]

Dunning's announcement, though contained in an election manifesto, was not just a political gimmick. Rather it was likely designed to pave the way for a great cooperative effort by the people. Private enterprise was making no attempt to furnish cheap power to the area; if it was to be obtained the people in cooperation with their Government had to make it possible. In drawing up his manifesto Dunning chose one of the most encouraging details brought out by the preliminary investigation conducted the year before. He pointed to the great advances made in long distance transmission of power; this held out promise to everyone. Other findings, while very encouraging, might have created jealousies and, if disclosed, jeopardized any scheme from the start. A hypothetical southern system had been mapped out and studied. It included Moose Jaw, Regina and Bienfait. The first two centres were deemed absolutely essential for the success of any such system, while the third was to be the site of a large power plant. Intermediate towns and villages were to be served by the system, which, if successful, would be gradually expanded, perhaps even to serve the agricultural community.

With respect to cost the scheme appeared good. According to estimates all centres could be supplied with current at a price lower than they paid to generate it themselves. At intermediate points the rate would be very much below existing costs and at Moose Jaw considerably lower, but this would not be so at Regina. There the difference would be very slight, and it seemed possible that the city might require additional encouragement to fall in line, a circumstance which would necessitate sacrificing part of the budgeted surplus. In addition, the rate charged to Moose Jaw would have to be higher than that applied to Regina, even without the added incentive.[68] Such an arrangement could easily result in charges of favoritism. In conclusion, the report recommended that the project be undertaken as soon as possible as it would take twenty months to construct, while extension of the Regina or Moose Jaw plants might create additional problems.

Unfortunately for the advocates of the scheme, official action to follow up the recommendations was not immediately forthcoming. As to why a lengthy delay occurred, one can only speculate. Political activities were doubtless one of the causes. The year and a half following Dunning's announcement witnessed a provincial election, two federal elections in which issues very important to Saskatchewan figured prominently, and a number of provincial and federal by-elections, not to mention cabinet changes when James G. Gardiner succeeded Dunning. For these and likely other reasons it was not until the fall of 1926 that the Government set about choosing members of an inquiry commission which it finally appointed on January 7, 1927.

In more than one respect the delay was costly. In 1925 a new 5,000 kilowatt turbine was installed at Regina, lowering fuel costs, raising the plant's efficiency and reducing rates to consumers. Moose Jaw burgesses had voted down a money bylaw through fear of increased taxation and because the City was near the limit of its borrowing power in the summer of 1924, but they later changed their minds and approved the purchase of a similar sized unit which was in the process of being installed as the commission began its work.[69] As a result of such developments, the prospect of transmitting energy from the coal fields to these centres at a lower cost than they could generate it was eliminated for the immediate future at Regina, while the possible savings at Moose Jaw were reduced. This, however, was of secondary importance. What was perhaps of far greater significance was the loss of time itself — one year and seven months.

For years private capital had been unwilling to invest in electrical utilities in Saskatchewan and continued to be almost until the very moment the commission was appointed. In December 1926, as the Government was selecting the commission's members, Walter Schlosser, a North Dakota Senator, with an interest in the Electrical Construction Company of Grand Forks, visited Estevan, thinking that the coal fields would be the logical place to develop power to serve southern and eastern Saskatchewan. Three months later he returned and began purchasing plants and obtaining franchises. In rapid succession other people followed,[70] some likely attracted by the upswing in demands for power and others perhaps by the prospect of buying utilities for quick resale to the Government at a profit. A frenzied scramble to control the power situation of the province ensued, in which not only were the Government's plans largely wrecked but wholehearted cooperation between the Government and the people rendered much more difficult.

The commission took only one week less than a year and seven months to report. Had the Government acted immediately upon announcing its intention to investigate, it might have had three untroubled months in which to marshal the municipalities behind its scheme. And had an inquiry, begun then, been pursued with vigor, it might have had more. A full-time commission, rather than merely the part-time one appointed, might also have expedited the matter. A proposal for a comprehensive scheme of development, even such a one as was finally worked out by the commission, might have proved acceptable to most centres had it been presented somewhat in advance of the spring of 1927. Municipal debts or high production costs would perhaps have made more municipalities willing to study Government proposals rather than cast them aside as vague or indefinite. But the opportune moment for such action, if it ever existed, slipped by. Meanwhile, the electrical utilities situation, as will be seen, began slipping into a state of chaos from which it would not begin to emerge for almost a full generation.

Footnotes to Chapter I
BACKGROUND: FORTY YEARS OF ISOLATED SYSTEMS

[1] *The Regina Leader*, 18 November, 1890. Peter Lamont, a Regina bookstore proprietor, deserves credit for establishing the first plant to operate in Saskatchewan. See *ibid.*, 26 August, 1890.

[2] *The Moose Jaw Times*, 26 December, 1890, 3 April, 1891.

[3] Hours of operation at Moose Jaw in 1891 were 6:30 p.m. until midnight. See *ibid.*, 10 April, 1891.

[4] *Ibid.*, 20 June, 1890.

[5] *The Regina Standard*, 5 August, 1892.

[6] Moose Jaw Town Council Minutes, 2 March, 1891; *The Regina Standard*, 24 July, 1891.

[7] See for example *The Moose Jaw Times*, 27 November, 1891; *The Regina Leader*, 6 October, 1891, 26 January, 5, 12 December, 1892, 9 March, 1899; *The Prince Albert Times*, 20 January, 24 February, 1892; *The Saskatchewan Times* (Prince Albert), 8 December, 1893, 18 September, 1894; Moose Jaw Town Council Minutes, 21 May, 1894.

[8] *The Prince Albert Advocate*, 11 August, 1902; *The Regina Leader*, 22 January, 1903; Moose Jaw Town Council Minutes, 27 April, 1896.

[9] See for example *The Prince Albert Advocate*, 23 December, 1901, and *The Qu'Appelle Progress*, 31 May, 1906.

[10] *The Prince Albert Advocate*, 11 August, 1902.

[11] Between 1901 and 1906 Moose Jaw's population rose from 1,558 to 6,249, Regina's from 2,249 to 6,169 and Prince Albert's from 1,785 to 3,005. *The Canada Year Book*, 1908, p. 165.

[12] *The Moose Jaw Times*, 7 December, 1900, 29 November, 1901, 20 February, 1903, 3 March, 1904.

[13] *Ibid.*, 30 July, 1903. While drawing up its program, Council rejected electrical service proposals put forward by private parties.

[14] *The Prince Albert Advocate*, 17 February, 11 August, 17 November, 1902, 9 February, 1903.

[15] *The Regina Leader*, 9 January, 4 December, 1902, 22 January, 9 July, 6 August, 1903; *The Regina Standard*, 20 April, 1904; Regina City Council Minutes, 21 March, 6, 18 April, 1904.

[16] Regina City Council Minutes, 17 May, 1904; *The Moose Jaw Times*, 30 July, 1903, 6 March, 1906; *The Prince Albert Times*, 25 October, 1906.

[17] *The Indian Head Vidette*, 8 March, 1899, 29 November, 1905.

[18] L. G. Denis, *Electric Generation and Distribution in Canada*, Ottawa, Commission of Conservation, 1918, pp. 187-198.

[19] *Ibid.*

[20] The foregoing analysis is based on data obtained from various sources: the Regina City Light and Power Department; Moose Jaw and Saskatoon *Financial Statements*, Department of Municipal Affairs; *Report of the Saskatchewan Power Resources Commission*, Regina, King's Printer, 1928, hereinafter cited as *SPRC*., and Saskatchewan Power Corporation: Dominion Electric Power, File 171, Archives of Saskatchewan. Saskatchewan Power Corporation hereinafter cited as S.P.C., Dominion Electric Power as D.E.P. and Archives of Saskatchewan as A.S.

[21] See for example Report of the Electrical Superintendent for 1917, Saskatoon, in author's possession. Hugh Athol Sweet, a former Chief Engineer with the Regina utility, when interviewed 15 August, 1963 dwelt at some length on Bull's contributions.

[22] S.P.C. *Annual Report*, 1929, p. 11.

[23] This conclusion is based on an examination of various records dealing with Prince Albert, North Battleford, Swift Current and Weyburn covering the years 1914 through 1927: *Financial Statements*, Department of Municipal Affairs; *SPRC.*; Electric Light and Power Revenue, Prince Albert, S.P.C. file: Prince Albert, Town No. 1; Analysis of Cost of Production, Electrical Department, City of Weyburn, S.P.C. file, Weyburn Town No. 1; R. N. Blackburn to Mayor and Council, 8 April, 1930, S.P.C. file, Swift Current, Town No. 1; J. R. Cowley to L. A. Thornton, 29 February, 1929, S.P.C. file, North Battleford, Town No. 1; Local Government Board file, North Battleford, 1914-1940, Local Government Board hereinafter cited as L.G.B.

[24] For the ill effects of delaying expenditures see Memo by M. D. Cadwell, undated, enclosed with letter City Solicitor to Chairman, L.G.B., 26 February, 1920, L.G.B. file, North Battleford, 1914-1940.

[25] The foregoing analysis was based on data obtained from the financial statements of all towns operating electrical utilities, the names of which began with the letters A to M plus the town of Scott obtained from the Department of Municipal Affairs and from that department's *Annual Reports*, 1922-1923 and 1927-1928.

[26] L.G.B., *Annual Report*, 1915, p. 4.

[27] R. N. Blackburn to L.G.B., 3 February, 1927, L.G.B. to Town Clerk, 28 February, 1927. L.G.B., file, Indian Head, 1914-1942.

[28] *Public Statutes of the Province of Saskatchewan*, 1906, Regina, Government Printer, Ch. 33, p. 331, Ch. 34, p. 346.

[29] L.G.B., *Annual Report*, 1915, p. 5.

[30] An article by the author on the trials and tribulations of Humboldt arising from its electrical utility will shortly appear in *Saskatchewan History*.

[31] Honourable Walter Scott to Cass Gilbert. 7 January, 1914. Scott Papers, p. 49,535, A.S.; Minutes of the L.G.B., 12 July, 1920, 20 July, 1921, Town Clerk to L.G.B., 18 July, 1920, L.G.B. to Town Clerk, 26 May, 1921, L.G.B. file Melfort, 1914-1932; Town of Melfort, *Financial Statements*, 1913, 1918, in *ibid.*

[32] L.G.B. to Town Clerk, 2 April, 1927, L.G.B. file, Oxbow, 1914-1930; Memo by L.G.B., July, 1927, L.G.B. file, Saltcoats, 1914-1943.

[33] Report by M. L. Wade, Construction Engineer, 15 July, 1920, L.G.B. file, Yellow Grass, 1915-1949.

[34] L.G.B., *Annual Report*, 1928, p. 6.

[35] L.G.B. to Town of Biggar, 28 April, 1917, L.G.B. file, Biggar, 1914-1939; L.G.B. to Town of Shaunavon, 17 July, 1917, L.G.B. file, Shaunavon, 1914-1930.

[36] *The Indian Head Vidette*, 6 February, 1907.

[37] Denis, *Electrical Generation and Distribution in Canada*, pp. 187-198.

[38] *SPRC.*, pp. 46-49.

[39] *Ibid.*, pp. 55-56.

[40] *Ibid.*

[41] For example, the firm at Leader. Interview with Carl A. Worth, 19 August, 1963.

[42] See exchange of correspondence during 1920s in L.G.B. file, Kerrobert, 1914-1940.

[43] See for example H. H. Turner to Deputy Minister, 29 September, 1925, reply, 3 October, 1925, Municipal Affairs files: Village of Abernethy, A.S.

[44] For an examination of one such company see C. O. White, "The Qu'Appelle Electrical Utility 1906-1927," *Saskatchewan History*, XXVIII, 1.

[45] *The Qu'Appelle Progress*, 10 June, 1920; *The Morning Leader* (Regina), 15 May, 1919; Memos by L.G.B., 28 November, 1919, 17 February, 1921, L.G.B. to Town Secretary, 9 January, 1920, L.G.B. file, Lumsden, 1914-1947.

[46] *The Moose Jaw Times*, 16 November, 1894; *The Qu'Appelle Progress*, 1 November, 1906; *The Battleford Press*, 15 July, 1909.

[47] G. W. D. Abrams, *Prince Albert: The First Century*, (Saskatoon, 1966), describes the venture as "one of the greatest financial disasters ever to befall a Western city."

[48] *The Leader* (Regina), 18 March, 1910, in Turgeon Papers, No. 19, (a) 14, Local Improvements, A.S.

[49] *Canadian Annual Review*, 1923, p. 713, hereinafter cited as *C.A.R.*

[50] *Canada Year Book*, 1927-28, pp. 293, 393.

[51] *C.A.R.* 1911, p. 572; Saskatchewan Scrapbook Hansard, 16 February, 1911, Legislative Library, hereinafter cited as S.S.H.

[52] *S.S.H.*, 2 February, 1912.

[53] *Ibid.*

[54] *The Morning Leader* (Regina), 30 April, 1912.

[55] R. O. Wynne-Roberts, *Report on Coal and Power Development*, Regina: Acting Government Printer, 1913, p. 130, A.S.

[56] *Ibid.*, pp. 97, 131.

[57] S. M. Darling, *The Carbonizing and Briquetting of Lignite*, Regina, Government Printer, 1915, p. 6, A.S. Also see pp. 26-27.

[58] R. N. Blackburn to G. H. Greenfield, 9 May, 1914, Department of Public Works, Correspondence of the Chief Mechanical Superintendent, K. re Lignite Investigation, 1912-1931, PW. 1, A.S.

[59] Report of R. N. Blackburn to the Honorable J. G. Gardiner, Minister of Highways, undated, p. 2, Department of Public Works, File 259, A.S. Hereinafter cited as Blackburn Report.

[60] See Prospectus and Correspondence, File No. 3625, Department of Provincial Secretary, Registrar of Companies.

[61] Blackburn Report, p. 3.

[62] *Ibid.*, p. 6.

[63] *Ibid.*, p. 9.

[64] *The Morning Leader* (Regina), 15 February, 30 July, 1924, 20 May, 1925, 12 March, 10 July, 1926, 27 September, 1927.

[65] C. A. Dunning to C. A. Manlove, 2 January, 1919, Dunning Papers, pp. 30,944-5, A.S.

[66] Memo to Dunning, undated, *ibid.*, pp. 15,231-3.

[67] Dunning to the People of Saskatchewan, 9 May, 1925, Gardiner Papers, III, 5, pp. 4, 612-3, A.S.

[68] "The Estimates . . . on a Proposed Scheme to Develop a General Electrical Distribution System for the Province of Saskatchewan," undated, Dunning Papers, pp. 15,225-6. The report was probably drawn up by J. G. Glassco, Chief Engineer for the City of Winnipeg Hydro-Electric System, in 1924. See *The Morning Leader* (Regina), 22 May, 1925, and *The Yorkton Enterprise*, 3 February, 1928.

[69] *The Morning Leader* (Regina), 7 August, 1924, 18 September, 1925; *The Optimeter*, I, 6, 1928, Records of the Moose Jaw Board of Trade.

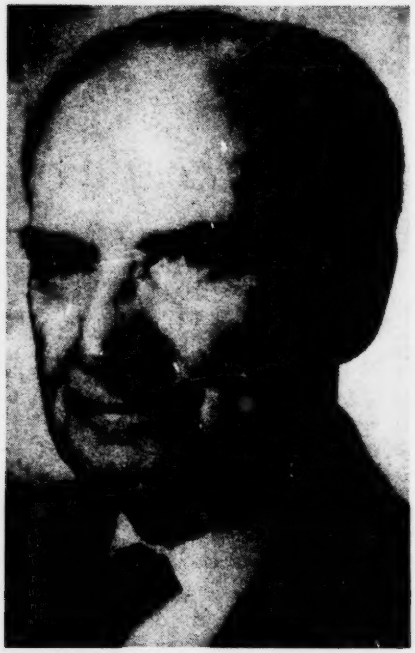
[70] W. H. Schlosser to E. W. Bowness, 29 December, 1932, D.E.P., No. 175.

Chapter Two

THE SASKATCHEWAN POWER RESOURCES COMMISSION INVESTIGATION

The Saskatchewan Power Resources Commission, appointed on January 7, 1927, consisted of three men plus a secretary. Selected by the Government to act as chairman was Louis A. Thornton, City Commissioner of Regina. Alexander R. Greig and Arthur Hitchcock, a professor of agricultural engineering at the University of Saskatchewan and a Moose Jaw businessman respectively, were the other members. The Government chose as secretary Robert N. Blackburn, Chief Mechanical Superintendent of the Department of Public Works.

Together the four possessed administrative ability, technical knowledge and business know-how. Thornton, for example, was familiar with engineering principles as well as being a qualified administrator. Born at Kingston, Ontario, in 1880, he attended Queen's University where he obtained both Bachelor of Arts and Bachelor of Science degrees. Following graduation he served on the engineering staff of the Trent Canal for a time before coming west in 1906. His early years in Saskatchewan were spent in the employ of the Department of Public Works, for which he acted as resident engineer during construction of the Saskatchewan River traffic bridges at Saskatoon and North Battleford. In 1910 he became city engineer in Regina, a position he filled until being appointed City Commissioner in 1912. During his years with the City he played a significant role in insuring that Regina's municipal power plant expanded to keep pace with the growth of the community. Perhaps his appointment as chairman was natural, as he had already served on a royal commission, the Armstrong assessment commission created in 1921 by the Martin administration.[1] Blackburn had also been close to electrical utilities in the province. As technical adviser to the Local Government Board, he had acquired a great deal of knowledge about those owned by municipalities and probably possessed a better understanding of their overall operation than any of his contemporaries.



LOUIS A. THORNTON, CHAIRMAN OF THE SASKATCHEWAN POWER RESOURCES COMMISSION AND SASKATCHEWAN POWER COMMISSIONER, 1929-1945. (S.P.C. Photo Collection)

Nevertheless, it is doubtful if the Commissioners were the type of men Dunning had had in mind when he was Premier. He had stated that such an inquiry should be conducted by "independent technical experts of the highest class . . . entirely independent of any local bias." Though the appointees were able, it is questionable if such a description applied to them. First, none of them nor the secretary was a qualified electrical engineer fully conversant with modern power systems. It would have been desirable to include such a person. Secondly, all were residents of the province. Indeed, they may have been selected in such a fashion as to give the three major cities indirect representation. Each may have been partial to the wishes and supposed interests of his city, and Blackburn, a member of the civil service, was likely subject to Government influence. Be that as it may, the Commissioners proved to be less than independent, and their report suggests that they were not technical experts of the highest class. The fact that they could be induced to reject their own carefully reached conclusions led to a serious setback for Saskatchewan.

The Order-in-Council establishing the Commission arranged for a sweeping investigation of all aspects of the power question. It instructed the Commissioners "to inquire into and report upon the economic practicability of generating power at central power plants and water power sites in the province and the distribution of same throughout the province, and in particular'' to direct their attention to twelve specific aspects of the subject. The Commission's terms of reference, in effect, required it to answer the following questions:

(a) Was it economically practicable to construct central power plants on the lignite fields of southern Saskatchewan?

(b) Would it be preferable as an alternative or in addition to erecting plants on such coal fields to construct central stations at other suitable places in the province with a view to their ultimate interconnection?

(c) Would it be desirable to operate central plants in conjunction with the product of char, briquettes or other by-products?

(d) What would be the probable cost of power produced at such plants, the distance it could be economically transmitted and the price that would have to be charged for it at the various centres to which it might be transmitted?

(e) What were the capacities of existing power plants in the province, their outputs of electricity, costs of production and sale prices for current?

(f) What was the status of rural electrification beyond the boundaries of the province, together with the possibilities of instituting such a program locally?

(g) Would it be advisable to grant municipalities owning and operating power plants the privilege of selling energy outside their corporate limits, together with the power to construct, own and maintain lines beyond such limits?

(h) What were the hydroelectric possibilities of the province?

(i) Would it be possible to develop any waterpower sites to economic advantage under existing conditions?

(j) What type of transmission and distribution lines would be most suitable for conditions prevailing in the province?

(k) Did sufficient markets for power which might be produced at a central plant or plants exist?

(l) In the event that such markets did not exist, would the sale of power produced at such a plant or plants create the demand for it?[2]

In order to obtain the required information, the Commission was empowered to summon witnesses to give oral or written evidence under oath, to issue subpoenas for enforcing attendance of witnesses, and to compel such witnesses to produce documents and information deemed necessary. In addition, subject to the approval of the minister in charge of the Bureau of Labour and Industries, it could engage the services of accountants, engineers, technical advisers, clerks, reporters and assistants.[3]

At the first meeting of the Commission, held in April and attended by Government officials, the general outline which the investigation would take was worked out. Questionnaires would be prepared and sent to power plants in the province in order to obtain data on power production, equipment, costs and rates.[4] During the summer public hearings would also be held at various communities throughout the province.[5] At these a wide variety of subjects came under discussion and numerous witnesses gave testimony. All told, the Commission gleaned much information concerning growth of plants, plans for expansion, prospects for rural electrification, and the extent of markets for energy, together with the opinions of local electrical utility officials on such topics as the use of central power plants and transmission lines. Matters of special interest at particular communities also received consideration. At Prince Albert the Lacolle Falls project was dealt with in some detail; at Estevan the coal mines and briquetting plant were visited and information relative to power production and consumption obtained, and at Moose Jaw rural electrification received extra attention. Work had been done there to supply power to farms, some of which were twelve miles from the city.[6]

Following the hearing held in Regina on September 26, 1927, *The Morning Leader* expressed the belief that the Commission, possessing a mass of data on almost every plant in the province, would likely "be content with the information it has received at the various points visited and the written replies to the questionnaires sent out."[7] While there is no evidence that this conclusion was incorrect, the Commissioners were not yet able to draw up a report and make recommendations to the Government. They had still to receive the findings of their consulting engineers, Messrs. Sullivan, Kipp and Chase of Winnipeg.

Upon commencing their investigation, the Commissioners recognized the desirability of having expert advisers and chose the Winnipeg firm. On September 23, as their final hearing approached and they knew the points on which specialized assistance would be required, they issued instructions to Sullivan, Kipp and Chase. In a few words, they sought advice on the economic practicability of erecting central power stations, developing waterpower sites, transmission of energy to various centres in the province, markets for electrical energy and the type of lines to be used in any system which might be established. Only points five through seven contained in the Order-in-Council establishing the Commission were excluded. In the long run it proved to be important that the consultants were not to deal specifically with point five, concerning the costs of production at existing power plants, to which their report referred only briefly. As will be seen, this was to make it relatively easy for the Commissioners to reverse one set of recommendations, substitute others and still produce a convincing report. In this fashion, what was initially declared to be economically practicable could be and was made to appear as being the opposite by the use of figures relating to production costs in city power plants. How this was done will be dealt with in due course as will the fallacy of the methods used in discarding other sections of their original recommendations.

When the Government set up the inquiry its actions were warmly applauded. The Honorable Charles Hamilton, Minister of Agriculture, declared that one objective was to remove drudgery from farming by replacing some of the manual labor by electricity. It might be a dream, he said, but at least it was a high ideal and not too high for agriculture in the province.[8] The farmers' paper, *The Western Producer*, fully endorsed the move.[9] And *The Morning Leader* was, if anything, even more favorable: "The decision of the Gardiner Government will be generally commended. It suggests vision and a desire that the resources of the province may be made available in the fullest possible degree for agricultural and industrial requirements."[10]

While the Government hoped to have the Commission's report by the following session of the legislature, things did not work out that way.[11] Not until January 21, 1928, three days before the session began, did the consultants make recommendations to the Power Resources Commission, at which time they presented merely a preliminary report. Consequently, the Government received only an interim report and as a result did not see fit to formulate a power policy or adopt any positive program at the time.

The preliminary report of the consulting engineers contained two basic recommendations: first, that the idea of early waterpower development be rejected and, second, that steps be taken at once toward building a large central steam-electric station along with the necessary transmission lines to reach the three principal cities. Further, it pointed out, since Saskatoon faced a power shortage, immediate relief could be rendered "by prompt construction of that portion of the transmission system which would connect that city with Moose Jaw and Regina, thus permitting a pool of joint present city generating equipment." The consultants added that this section of the transmission system would form the nucleus of a provincial system, regardless of the location chosen for a central station, and that extensions from the nucleus to outlying cities and groups of towns "should be undertaken as it may from time to time be proven that sufficient economic advantage may accrue to those towns without detriment to the core of the system and without increase in its operating costs." They also recommended that a central station with a capacity of 25,000 kilowatts be constructed, that in selecting its site provisions be made for expanding to at least 50,000 kilowatts without increasing the capital cost per kilowatt of installed capacity and that the transmission line structures be such as to permit erection of a second circuit to allow for expanding the central plant's generating capacity. Finally, the Government was urged to legislate to give effect to the recommendations.[12]

In response to these suggestions the Gardiner administration brought in a number of bills during the 1928 session. First, a new government department of Railways, Labour and Industries was created and empowered to operate electrical utilities. By the terms of the act, it could manufacture, distribute and supply electrical energy; acquire, lease, construct, maintain and operate works for generating electricity through the use of fuels or waterpower; obtain by purchase, lease, expropriation or otherwise land for power station or substation sites and for electrical transmission or distribution lines. It could also purchase, lease or expropriate plants, buildings and machinery used in the production, transmission, distribution and supply of power. By these clauses the Province might take over any electrical utility and incorporate it into any system it might see fit to establish. However, it is doubtful if the Government intended to proceed in this manner. A further clause permitted the department to contract for a supply of electricity.[13] If a municipality proved unwilling to sell its power plant to the Government but willing to hook up with a publicly owned system, energy could be purchased from it under the provisions for distribution beyond its boundaries.

By amending the Public Utilities' Companies Act, the legislature took a second step preparing the way for a government owned power system. This bill gave the Minister of Railways, Labour and Industries authority to oversee construction of power lines outside the limits of towns and cities. Before such lines could be erected in the future, companies wishing to build them had to obtain his consent. Provisions were also made for issuing regulations governing generation, transmission, transformation and distribution of electricity.[14] In this manner the Government sought to insure that any new facilities erected would be of a set standard in case it might be desirable to incorporate them into a single network.

By the same amendment any person or municipality was authorized to appeal rates or charges set by electric companies to the Local Government Board, which in turn was empowered to investigate and fix rates at such levels as it believed were just without regard to any contract the company might hold.[15] Rather than implementing the recommendations of the consulting engineers, this provision was intended to protect consumers served by private electric companies.

A second amendment, this one to the Municipal Public Works Act, was designed to protect bond holders of urban centres which were disposing or might in the future dispose of municipally owned power plants to private interests.[16] Henceforth, such communities would have to obtain approval of the Local Government Board, which might impose conditions relative to outstanding debts and proceeds from the sale.[17]

Together these measures more than answered the consultants' request for enabling legislation. Indeed, they were all that was necessary for the establishment of a province-wide power system. But it was impossible simply to legislate such a complex into being. Other action was also required; here the Gardiner administration delayed and in the end did not measure up to the task at hand. During the session it left the province largely in doubt as to what it intended to do. Government statements were subject to interpretation in a number of ways. Early in the session the Premier announced: "Legislation is to be brought down to safeguard those communities which are at present considering the selling of their plants and the granting of franchises to private companies." Continuing, he added: "By the close of the present session . . . Saskatchewan will be abreast of any province in legislation enacted in connection with power development in spite of the fact that Saskatchewan has no hydro electric development and none of the experience of the older provinces."[18]

In speaking on the bill to establish the Department of Railways, Labour and Industries of which he was soon to be minister, George Spence was equally indefinite: "Pending the receipt of the commission's report the government stands at the bridge head to guard the interests of the province in power development."[19] These statements, while suggesting that the Government might enter the power business, by no means indicated what its plans would involve. And indeed no hint was given. The only verbal guidance offered to the province was a statement by Spence urging municipal officials to go slowly in granting franchises to private companies and another by Gardiner advising them to be careful in doing so.[20] Calls for public ownership of power during the session came only from opposition speakers.[21]

The indeterminable position of the Government on the power question was described very well in a *Western Producer* editorial:

> In spite of the acclaim which heralded the speech of Hon. George Spence on the power question, there is still some doubt as to where the province stands in the matter of power development. It would be difficult to imagine anything more spectacularly indefinite than the Minister's pronouncement. There is a hint that some day, after the Power Commission has made its report, the government will have a power policy which will put that of Ontario in a secondary position. There is a soothing suggestion that municipalities are in no danger of losing control of their public utilities. There is an insinuated assumption that Saskatchewan has ample resources of cheap hydroelectric power. There is a remote vision of a vast network of provincial powerlines cobwebbing the country from corner to corner. As yet, however, it cannot be said that Saskatchewan has a power policy. It cannot yet be said that any effective bar has been raised against the wholesale acquisition of municipal plants. It cannot yet be said that the power resources of the province are safe-guarded firmly for the people. When Mr. Spence announced that the government power policy has not yet been formulated, but that in the meantime, he would stand at the bridge-head to prevent the further encroachment of powerful private corporations, he probably meant it, and it is to be hoped he has the machinery at hand to make good his declaration, but the matter contained in the various bills introduced by him does not clearly indicate exactly how the fort is to be held for public ownership until such time as the government is ready to relieve the garrison.[22]

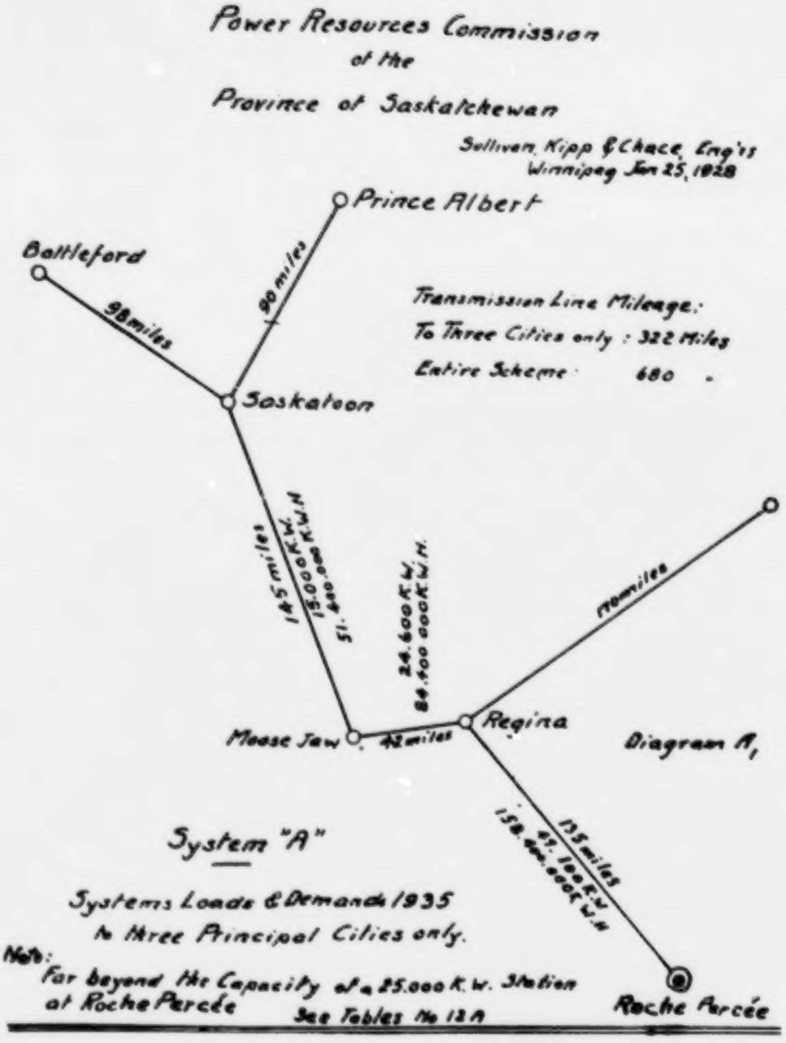
Aside from enacting the legislation already cited the Government did nothing to implement the consultants' recommendations. Nowhere is there evidence that it discussed the proposed tri-city interconnection or central plant with any of the parties interested until months later. Why did Gardiner and his colleagues adopt such an attitude toward the subject? The logical explanation is to be found in the methods followed in adopting a policy and in what was patently the historic public ownership policy of the Saskatchewan Liberal party. First, the Government took no action because before adopting a policy its leaders evidently wished to possess a plan of known acceptability by which to implement it. This was demonstrated by subsequent events. And secondly, nothing was done because Liberal leaders did not intend to set up a province-wide system. Experience in the telephone, elevator, creamery and hail insurance fields no doubt led them to believe that by acquiring certain electrical utilities they could satisfy demands for public ownership and at the same time exert a measure of control over the operations of the whole utility. Their interest strikes one as having centred on the plants of the three major cities which at the time were in no danger of coming under private control. Thus the Government played a waiting game in order to gain the advantage of having all the facts when it approached the cities. Its statements in the legislature were probably intended to test the strength of public opinion concerning a publicly owned system in order to proceed on the basis of that knowledge as well after receiving the report of the Power Resources Commission.[23]

Perhaps Liberal leaders would later regret their failure to take the public into their confidence in order to prepare the way for the scheme they were soon to propose. Be that as it may, when the moment came those directly concerned were not at all ready and, to the detriment of Saskatchewan, the plan was not accepted.

On March 7, 1928 the legislature was prorogued. From then until mid-May the Province took no action relating to the power question. However, during the interval the Power Resources Commission was periodically at work drawing up recommendations. On March 1 Messrs. Sullivan, Kipp and Chase had completed their report, enabling the Commissioners to proceed.

The final report of the consulting engineers strongly supported their earlier findings. They now added the following recommendations:

> That no time be lost in establishing the Tri-City Power Pool and Central Station High Tension Transmission Project. . . . That, in view of the slight differences in capital cost and in costs per delivered kilowatt hour which appertain to the three central station sites,[24] there should be instituted at once a thorough investigation into: (a) The possibilities and costs of season to season storages on the Souris River above Roche Percee, which storages must be provided for if a capacity greater than 25,000 kilowatts can be served there with enough of condensing water. (b) The extent, the thickness of seam, the costs of mining lignite coal at Lake-of-the-Rivers, the favorable proof of these items being a *sine qua non* for the choice of this site for a central steam-electric station. . . . Unless the results of investigations shall prove favorable to the choice of Roche Percee or of Lake-of-the-


Power Resources Commission
of the
Province of Saskatchewan
Sullivan, Kipp & Chace, Eng'rs
Winnipeg Jan 25, 1928
Prince Albert
Battleford
98 miles
90 miles
Transmission Line Mileage:
To Three Cities only : 322 Miles
Entire Scheme : 680 "
Saskatoon
145 miles
15.000 K.W.
51.400.000 K.W.H
24.600 K.W.
84.400.000 K.W.H.
170 miles
Moose Jaw
42 miles
Regina
Diagram A1
135 miles
27.100 K.W.
158.400.000 K.W.H
System "A"
Systems Loads & Demands 1935
to three Principal Cities only.
Note:
Far beyond the Capacity of a 25.000 K.W. Station
at Roche Percée
See Tables No 12 A
Roche Percée

Map 1. Proposed Tri-city Core, Extensions and Central Generating Station at Roche Percee, 1928. (Courtesy S.P.C.)

> Rivers as a site for a station of at least 50,000 kilowatt capacity, then the Elbow site shall be chosen.

These and associated recommendations were based on the following arguments: "That the average cost of energy to be delivered to the three cities during 1930 would be less than the present costs . . . at Moose Jaw and at Saskatoon, but slightly more than those at Regina. . . . That the average costs of delivered energy during 1935 and subsequently would be much less than the 1926 costs at all cities; and less than can be hoped for by the use of individual city plants by 1935. . . . That the other advantages which would accrue to each of the cities by virtue of a Central Station Transmission scheme are quite sufficient to warrant the joint project."[25]

Sullivan, Kipp and Chase asserted that there were many advantages to a joint central station scheme. First, a site could be selected which would permit expansion to the capacity required for a reasonable period of years. This would be cheaper than providing separate facilities and equipment for the same generating capacity at scattered locations. Secondly, only one skilled staff would be required and the best qualified engineering and laboratory supervision utilized at a cost which would be a "negligible item in cents per thousand kilowatt-hours." Thirdly, the provision of stand-by equipment at each existing city station would be eliminated and in its place a minimum—sufficient only to take one unit out of service—would be required. Finally, they declared: "The production of energy from a fifty thousand kilowatt station properly designed approaches an optimum of economy of cost per kilowatt hour. . . . The economy of a station newly designed and constructed of from 25,000 Kw. to 50,000 Kw. will be much beyond that possible in any of the present city stations which, like Topsy, 'just growed'."[26]

Backed by a mass of technical details, tables, charts and graphs, these in essence were the findings of Sullivan, Kipp and Chase. As for existing city plants, the firm recommended that until their useful life had expired the larger and newer boiler and generating units be utilized "but only to a portion of their capacity, as peak load carriers," and that they be kept under steam during the winter months as emergency units, particularly during the period of single circuit transmission.[27]

Though not requested to deal with matters of organization, the consultants did so very briefly. In their opinion, it was evident that the Government should enter the power pool on behalf of towns, villages, hamlets, and farms within the area which would be traversed by transmission lines and branches. It could also by itself or through a contracting power company sponsor the entire project, selling energy at proper distribution voltages to towns and cities under contract.[28] On the whole, their recommendations pointed to a system similar to Ontario Hydro. As a start on an up-to-date, integrated power system for the province, in addition to the tri-city core and central plant, the consulting engineers urged the Government to build branches from Regina to Kamsack via Melville and Yorkton and possibly from Saskatoon to North Battleford.[29]

The report of the consulting engineers, as already stated, was completed on March 1. It is logical to assume that it was placed in the hands of the Power Resources Commission not more than a week later and that within the next two months the Commissioners gave it careful consideration, not only by itself but in conjunction with their own findings. Thus it is reasonable to believe that the Commissioners knew what their final recommendations would be when they met with members of the Government on May 8 and when they, together with provincial officials, conferred with representatives of Regina, Moose Jaw and Saskatoon on May 16. Beyond the shadow of a doubt, the proposals made that day were intended to be their final recommendations. Indeed, their report was expected within approximately two weeks.[30] And on May 16 the Government offered the cities the program recommended by Sullivan, Kipp and Chase almost point by point as the best method of supplying Saskatchewan's energy requirements. In short, it proposed to begin construction of an integrated power system for the province.

At the conference the Government recommended linking the three cities by a transmission line of large capacity, pooling their energy requirements and those of the surrounding countryside by operating the plants under one authority, constructing a central plant to supply as much energy as possible, using existing city plants to supply blocks of power at peak load periods, and delivering energy to the cities at the voltage required by them. It informed the cities that power costs would be at least as favorable as existing ones in any city and lower than in some, while in the future they would be much lower than could result from operation of individual local plants. As to the advantages accruing to the cities, it pointed out that such a system would provide greater efficiency through one large station, proper stand-by units, the opportunity to employ a single expert staff and avoidance by municipalities of capital expenditures for generating equipment.

Like the consultants, the Government proposed to extend outward from the nucleus whenever the economy of such branches was apparent. Indeed, it added a few extras to make the plan even more attractive. First of all, thought was given to the province as a whole. Technical experts in the organization established would be able to assist individuals and communities in solving their problems until the system could be extended to reach them. As for the cities, they were offered the option of having fixed charges on their existing plants included in the cost of energy supplied to them or of paying the charges by themselves and thus keeping down the initial price of energy.[31]

Whatever questions may have existed concerning the Government's attitude toward the power question were for the most part answered by its statements and actions during and after the conference. Its spokesmen asserted that the people of the province had strongly indicated that they wished to retain control of their electrical utilities. The conference had been called because only through cooperation by the Government and the major cities could that desire be realized.[32] All in all, the Gardiner administration clearly indicated that it was prepared to adopt a policy of public ownership. Indeed, it had set the stage well for such a move. If the cities accepted the proposals it would be the ideal moment for such a pronouncement. For all practical purposes the whole power question would be settled at one stroke. With the Government controlling the concentrated markets supplied by the three cities, no company could even dream of competing with it in power rates. Growing unpopular for reasons beyond their control, private operators would in all probability be obligated to turn over their properties for incorporation into a provincial system if and when the Government chose.

The future of power developments in the province for the next generation hung in the balance as the cities withdrew from the conference to discuss matters among themselves. Before the afternoon was over they arrived at a decision, and issued a joint resolution declaring: ". . . civil representatives feel that the scheme of pool production of power should first receive further consideration at the hands of the Power Commission, and that their report should deal, not only with central power production, but also with the utilization of the present civic plants for the supply of power to outside points."[33] Seeing its scheme plowing straight for the rocks of city selfishness, the Government hung back. There was little point in a major policy announcement simply to be sure of securing the twenty customers at "Wildoats Junction" or the ten at "Buckwheat Flats" for a publicly owned system; for the scheme in question, the cities were the key. The Government informed municipal representatives that their resolution would be turned over to the Commission as an indication of their wishes and closed the conference with the announcement that if the cities wanted further meetings they would be arranged.

Roughly forty-eight hours after the conference the power question was raised in council at Regina. Alderman Cooksley expressed the belief that under a central station scheme Regina, Moose Jaw and Saskatoon would be required to sell power at the same rates. This would place the city at a disadvantage, he alleged. Industry wanted both cheap power and plenty of water. Saskatoon had the advantage with regard to water but Regina had been able to undersell the other cities in electricity and, he urged, should make the most of this advantage.[34] Such reactions made it appear probable that much negotiation would be required if the proposals were to win acceptance.

During the next fortnight the Government obviously decided not to spend time on long drawn out proceedings. The Saskatoon situation was rapidly becoming the most vital issue in the whole provincial power question. If the City did not accept a government proposal, it would have to determine within the next few weeks whether to build a new plant or make other arrangements to assure an adequate supply of electricity. Tenders to supply the City with power in bulk were to be opened on June 4.[35] If one of them was accepted and the city connected up with a private company, any possibility whatsoever of a publicly owned tri-city scheme would be wrecked. The Government's appointment of a part-time commission and its delay in approaching the cities were beginning to bear their bitter fruit.

Perhaps in the hope of saving time, provincial officials summoned the electrical superintendents of the cities to a second conference. The May 16 proposals were again discussed, along with other subjects, but with no more favorable results. Then in the space of a few days the Government apparently panicked, possibly fearing that none of the cities would enter its scheme and that it would be left without a workable plan. As a result, the scuttling of the original findings of the Power Resources Commissioners began and their report expected in two weeks did not appear for seven. From all appearances, it was reshaped to fit Saskatoon's requirements to the letter.

At the May 22 meeting between electrical superintendents, the Government and the Commission, the tri-city scheme of the consultants was again a subject. Also dealt with were operations and probable future costs of electrical production in the three cities under existing arrangements.[36] As a result of the conference, Sullivan, Kipp and Chase were requested to draw up a further report on the proposed plant at Elbow. It will be recalled that according to their recommendations, this site was to be used only if the others proved unsuitable upon investigation. Perhaps the Government decided to eliminate these without such studies. The specific assignment was to provide a "supplementary study of minimum costs of service to Regina, Moose Jaw, and Saskatoon from central station at Elbow."[37] Nonetheless, the Government and Commission were convinced of the advisability of proceeding quickly with the central station, tri-city scheme since the supplementary study was "prepared in view of the expressed wish of the Government to enter into negotiations looking to the establishment of a Central Electrical Provincial Supply based upon service to the three principal cities."[38]

Sullivan, Kipp and Chase therefore again estimated the capital cost of their scheme embodying the Elbow site. This came to $341,000 less than their previous estimate due to prices on powerhouse equipment having declined.[39] In addition, they worked out two trial rate structures for purposes of negotiation. One was based on the assumption that the cities would retain and pay off the charges on their own plants and the other on the assumption that a central authority would purchase them. In all cases rates were below the cities' existing costs of production but higher than their estimates for 1935. Sullivan, Kipp and Chase gave two reasons for this: "At the Regina Conference, May 22nd, it was insisted by the three city electrical engineers that their labor forces . . . must be maintained at three shifts of eight hours throughout the year."[40] The consulting engineers regarded this condition as a "serious obstacle to the effort to reach low delivery costs. . . ."[41] Were it possible, they said, to reduce such staffs to a minimum "the costs of service could be reduced considerably. . . ."[42] The condition demanded by the cities added $70,000 annually to the estimated operating costs of the system.[43] Perhaps more important, the city electrical engineers' 1935 estimates were judged to be optimistic by the consultants. Figures given at the conference were 0.8128 cents per kilowatt-hour for Regina, 1.039 cents for Moose Jaw and 1.067 cents for Saskatoon.[44] After describing how the cities arrived at such figures the consultants stated: "Possibly all estimates were prepared with a view to negotiations for purchase of energy."[45]

The Power Resources Commission's report does not mention the condition laid down by the electrical engineers of the cities nor does it include the consultants' comments on estimated city production costs. Neither did the Commissioners, none of whom was a qualified electrical engineer, regard the 1935 estimates of city operation as optimistic. In their report they asserted: "We have given careful consideration to these estimates, and believe that they are substantially correct and reasonably represent what may be expected with the loads projected."[46] Who were correct in their analysis of the estimated city costs? Evidence strongly supports the consulting engineers. On the basis of highly questionable data submitted by parties with vested interests in maintaining the city plants, the Elbow site for a central power station was dropped as uneconomic.[47] At the same time it may have been decided to drop the whole scheme of the consultants.

The supplementary report of Sullivan, Kipp and Chase by no means showed the scheme contained in their original report to be uneconomic. With reference to its contents they stated:

> The two layouts of possible operating expense and income must be considered as illustrative rather than practical. Some intermediate system of rates for sale by the central system must be developed. The advantages of a central supply to the cities has [*sic*] not been evaluated, and it is very difficult to place monetary values upon some of these advantages. These studies are submitted as a supplement to the report. From their nature they should be considered as not available for public use, being preliminary only, and illustrative as a basis of judgement for purposes of negotiation. They do not take the place of the matter within the report. . . .[48]

The consulting engineers concluded with the comment, "Awaiting your further instructions these notes are respectfully submitted."[49] They waited in vain; though there were other instructions there were no more concerning the great scheme for an integrated power system they had worked out. Their supplementary report did not appear nor was it mentioned in the report of the Commission. It was probably omitted since it would have contradicted certain statements the Commissioners were to make. In addition, there is no evidence that negotiations were conducted on the basis of it. Together with the original report, it was destined for the political cemetery. Though the Commissioners may have acted as undertakers, it is highly probable, as will be seen, that the Government pronounced it dead.

Perhaps it had been decided to drop the scheme before the supplement was received. If not, such a decision must have been made within the next forty-eight hours, for on June 6, Sullivan, Kipp and Chase submitted an altogether different study to the Commission: a seven-page study of costs of electric service to Regina, Moose Jaw, Saskatoon, Prince Albert and North Battleford from central stations at Regina and Saskatoon. Costs were based on the estimated operating costs at the Regina and Saskatoon plants supplied by city electrical superintendents.[50] On June 15 they filed a supplement to the study. This document is not available but an accompanying letter indicates that it dealt with possible rate schedule for the cities and intervening towns.[51] The new study did not include any comparisons with costs under the central plant, tri-city scheme to demonstrate that it was a more economical solution to the power problem. In fact, the previous scheme was not even mentioned. A sizable portion of this study and possibly of its supplement found its way into the Commission report as the Commissioners' own findings and formed part of their recommendations to the Government.

The final report of the Power Resources Commission, dated July 12, 1928, was completed two days earlier, when it was promptly rushed by special messenger to Premier Gardiner who was at Banff.[52] During the next dozen days the Government carefully studied it, possibly to determine if it could stand the light of day. At the same time the cabinet advised Saskatoon that it would shortly take action on a provincial power scheme.[53] Then on July 22 the long awaited findings and recommendations were made public. As the reader is already aware, they declared the erection of any large central generating station economically impractical for some years to come.

The report filed by the Commissioners contained much detail and hence was quite long. All told, it consisted of a forty page summary of findings and recommendations worked out by the Commission itself, ten supporting appendices and the original report of Sullivan, Kipp and Chase.

The Commission led off with a brief discussion of the electrical situation throughout the province. It pointed out that during 1926 investment in electrical utilities stood at over $9,000,000. Together these facilities had an installed capacity of just under 44,000 kilowatts, served somewhat over 44,000 customers and had produced approximately 70,000,000 kilowatt-hours of electricity during the year. In addition, there were about 7,000 individual plants in the province, each producing between 150 and 200 kilowatt-hours annually and representing an investment of about $4,000,000. Recent developments in the province were also discussed, mention being made of the activities of private companies which, the report stated, might create rights detrimental to the establishment of a systematic power distribution scheme.[54]

The consulting engineers had studied three sites as possible locations for central generating stations and had declared them satisfactory, subject to the existence of sufficient water at Roche Percee and sufficient coal at Lake-of-the-Rivers. The Commission rejected all three for various unsound reasons and recommended instead expansion of the plants of the three major cities. With respect to the proposed plant at Roche Percee, the Commissioners claimed it would have to serve Regina in order to be practical at all. R. N. Blackburn, their secretary, in a brilliantly conceived but totally irrelevant study—included in the report as Appendix No. 6—compared the costs of transporting sufficient coal to produce a kilowatt-hour of electricity from the Souris coal field to Regina with the cost of transmitting one kilowatt-hour electrically over the same distance. The study showed that it was cheaper to freight the coal but was completely inadequate as a basis upon which to reject the site since it failed to discuss the proposed tri-city system.

After completing the comparison he had been required to make, Blackburn went on to argue that stand-by power would have to be provided at Regina while a plant at the coal fields would duplicate existing fixed charges at Regina. These additional charges, he suggested, would also have to be assessed against transmission. Therefore, he alleged, a plant on the Souris coal fields was economically impracticable under existing conditions. To these arguments the Commissioners added the statement that the water supply at the site was uncertain and thus they discarded it. They ruled out the Lake-of-the-Rivers site on only slightly different grounds. Here they stated that, while a comparison of freight and transmission costs "would not represent altogether the same conclusion," fixed charges on both the Regina and Moose Jaw plants would have to be carried in addition to those of the central plant. Extra fixed charges were described as being greater than savings resulting from transmission of electricity over the cost of freighting coal. Again the tri-city system was not considered. Indeed, here the Commissioners used only the extraneous argument that Blackburn had appended to his comparison of freight and transmission costs and, as if to clinch their rejection of the site, stated that the coal supply was uncertain.[55]

The Elbow site, on the other hand, they declared uneconomic for quite different reasons. In this case they asserted that all three cities had to be considered, in fact, that they were the all-important factor as they consumed eighty percent of the power used in the province. Then on the basis of the optimistic estimates of 1935 production costs for separate operation of the city plants supplied by the electrical superintendents of the cities, the site was rejected. In the words of the Commission, "With the present efficiency at the Regina plant and the efficiencies which will be possible at the Moose Jaw and Saskatoon plants when further expenditures are made, the central plant cannot promise" such results as would justify its construction.[56] The Commissioners might have declared that this line of reasoning could be applied to any location in the province. To have used it to rule out Roche Percee and Lake-of-the-Rivers would have at least made their report consistent. However, since the argument possessed little if any basis in fact, they probably did not wish to rely solely upon it. Moreover, during the last frenzied weeks of their inquiry consistency was seemingly the last thing they had time to worry about. Their report is simply riddled with inconsistencies.[57]

Having thus dismissed central power stations as economically impractical, the Commission "answered" many of the questions posed at the time of its creation. It then went on to deal with other issues. With regard to water power, it stated that while northern sites were of great potential importance, they were too distant for early development. Harnessing of the Saskatchewan River would also be uneconomic until about 1942.[58] In reference to rural electrification, it pointed out that where electricity was available rural people made use of it. Transmission lines would create a demand for current by rural residents and might be adapted to serve them. However, the Commissioners did not believe that the small rural loads would by themselves justify a program of rural electrification. They suggested that in the future it might be possible to construct lines to handle both telephone and power wires. For any rural lines which might be undertaken, as for transmission lines in general, they recommended installation of low cost types during the early stages of development.[59]

The idea of producing char, briquettes or other by-products in conjunction with central plants was declared impractical under existing conditions, while the carbonization of coal, even if it should prove feasible, was described as holding little promise. The Commission expressed the belief that the utilization of gas engines would be more costly than generating power in steam plants using raw coal.[60] Finally, in regard to the advisability of permitting municipalities to extend their systems beyond their boundaries, the Commissioners argued that such expansion should occur only under a pooling arrangement or, if pooling proved impractical, by allowing the larger plants to expand, subject to regulations which would assure each a sphere of influence and guarantee the adoption of common standards of construction. To do otherwise would be costly. Plants had tended to develop to meet community needs without reference to any wider scheme. If expansion outward without a general plan of organization were permitted, duplication of equipment would result.[61] It should be noted that what the Commission described here as costly was, in essence, what they recommended: duplicate facilities at each of the larger cities. Their scheme, embodying spheres of influence, was essentially orderly duplication which in practice became rather disorderly.

After claiming to have demonstrated the superior economy of a scheme relying on existing city plants over one utilizing a larger central plant and heavy tri-city transmission line, the Commissioners set out to propose the "most efficient" method of supplying power to a large part of the province. This, they said, could be most economically done by enlarging the plants at Regina, Saskatoon and Moose Jaw so as to enable them to supply adjacent areas. Secondary plants could also be set up immediately or later at such centres as "Swift Current, Unity or Kerrobert, Yorkton, Melfort, Weyburn or Estevan." As for a central power station, they added, ". . . by the time the city central stations with their radiating lines become loaded and by the time that renewal of pole lines or power house equipment, etc. becomes necessary, the central power station as outlined in the Consulting Engineers' report may become an economic necessity."[62]

It would be difficult to be much more indefinite about the time when the consultants' scheme might be implemented. And when as a result of the Power Resources Commission inquiry the Saskatchewan Power Commission was established it did not even stop at what was suggested as the "economic" solution. Why limit the "economic benefits" of small generating stations to a few centres when it was possible to spread them around freely? After two years of operation, the Commission had plants with associated transmission lines operating at Saskatoon, Swift Current, Leader, North Battleford, Shellbrook, Tisdale, Humboldt, Watrous, Nokomis and Wynyard, and isolated plants at Maple Creek, Willow Bunch, Unity and Lanigan. Privately owned generating stations supplying transmission lines existed at Estevan, Bienfait, Shaunavon, Assiniboia, Gravelbourg, Melfort, Yorkton, Herbert, Grenfell and Rosetown, while companies operated isolated plants at Kerrobert, Kindersley, Biggar, Davidson, Craik, Eastend, Gull Lake, Radville, Melville, Hudson Bay, Prince Albert and some smaller communities.[63]

In order to establish a system supplied by a number of plants with radiating lines, the Commission believed that coordination was necessary. Only by concerted action could such a system be made available to the province in view of its large area. If the development were left to the cities or private operators working from different points there would "be a clashing of interests and duplication of expense in many ways and the desired result would not be obtained as readily or as soon; also the costs would be somewhat higher than if the whole scheme were undertaken by some central authority."[64] Three alternatives to such a central authority were readily apparent. First, it could be an intercity pool, empowered to extend outward and sell power to other municipalities. Secondly, a private company could either buy the existing plants and build the lines or purchase power from the plants for transmission lines which might be constructed. Or thirdly, the Province itself "could either take over and operate the city plants and make the necessary extensions, or purchase power from the central plants to supply the necessary extensions." The Commission favored the third alternative, asserting that for many reasons the Province's taking over and operating the plants would "prove ultimately of the greatest advantage to the people of Saskatchewan."[65]

With regard to the cities the Commissioners stated that they would derive benefits through their plants being enlarged to supply greater loads under practically the same conditions of management and costs of production as would obtain if they continued to operate their own plants. The provision of electricity at reasonable rates to large areas tributary to the cities would also benefit them. Then too, their credit would be conserved since they would not have to invest in power plant installations. Such capital would be provided by the Government which would be able to borrow at a lower rate of interest.[66]

As a first step toward the establishment of its proposed system, the Commission suggested that the Government purchase the plants at Regina, Moose Jaw, Saskatoon, Prince Albert and North Battleford. Purchase prices would have some reference to existing debenture indebtedness and book value of plants and be sufficient to take care of fixed charges on the plants throughout the lifetime of existing debentures, while leaving municipalities funds on hand in depreciation accounts. Distribution and control of rates would remain with the municipalities, assuring them of all profits resulting from sale to consumers. The plants at Regina and Moose Jaw would then be joined by transmission line to form the nucleus of a southern system, with those at North Battleford and Prince Albert being similarly interconnected with a new one to be built at Saskatoon to form the nucleus of a northern system. Lines radiating from the north and south would eventually meet, permitting the plants to assist each other and guaranteeing greater continuity of service throughout the whole system.[67] The latter claim was false; the lines from north and south when they met would be of too low a voltage to permit any worthwhile exchange of power.

Were it not for the fact that the Royal Commission was dealing with a serious problem their recommendations would be quite laughable. First, they indicated that the most economical energy would be obtained by expanding the plants of the three large cities. How they arrived at this conclusion is shrouded in mystery. There is no evidence whatsoever that any sort of a cost study embracing central plants at each of the three cities was ever made. If such a study had been made surely the Commissioners would have included it to support their recommendation. Lacking such supporting data, they threw in part of the cost study of Sullivan, Kipp and Chase dealing with the erection of central stations at Regina and Saskatoon only. Secondly, of the three branch transmission lines studied by the consultants the Commission advised the Government to construct those least attractive. The Commission made no mention of the line from Regina to Kamsack which the consulting engineers had shown to be warranted, while recommending that the Government build the unwarranted line from Saskatoon to Prince Albert and the one of doubtful value from Saskatoon to North Battleford. Lastly, just how much the institution of their recommendations would cost was also somewhat uncertain. In one place the Commissioners stated $6,700,000, of which $5,500,000 would be expended at once and $1,200,000 in 1934.[68] On the other hand, the figures used in their estimates add up to $7,391,000, of which $6,191,000 would be required at once and $1,200,000 in 1934.[69]

And to what sort of future developments did the recommendations of the Commission point? One must look to Sullivan, Kipp and Chase for the answer. In the event that city plants were expanded rather than a central station scheme being adopted, they predicted:

> As the loads grow from year to year the tendency will be to add to each plant a unit of still larger capacity for which there will be no true spare and, in combination with these new units which may be assumed to be of maximum fuel economy, the use of their present equipment during peak hours and, later on during longer hours, will prevent full advantage of lower economies. Further, the increase of investment by each city will make more difficult in the future a decision to join their interests, and the possibility of establishing a province-wide transmission system with the three cities as its core will diminish.[70]

Probably no more accurate prediction was ever made concerning Saskatchewan's utilities. But, much more important, this was the method which Commission's recommendations for meeting the province's energy requirements pointed to in preference to an integrated system fed by a large central plant. The report of the Commission was a call for duplication of operating and capital expenditures at each of the three cities, a call for the use of unnecessarily small generating units with which to produce more expensive power, a call for questionable stand-by facilities and needless insecurity of supply. Since the Commission, using unsound arguments, rejected what it had concluded was best in favor of something else, one must conclude that it recommended adoption by the Government of a policy of waste.

It would be wrong, nevertheless, to place all responsibility for their recommendations on the Commissioners alone. There is little question but that the Government had a hand in deciding what they should be. The Gardiner administration naturally would sympathize to a certain degree with the cities' position and would wish to avoid a clash with municipal officials on anything the Commission might recommend. More than that, it wanted to find a quick solution to the power question, especially in view of the position of Saskatoon.[71] At the same time, it was probably growing concerned about the power situation in general throughout the province. That situation was rapidly becoming critical due to the activities of private companies. Indian Head, Wolseley and Moosomin had fallen to Northern Light and Power, the towns from Regina to Qu'Appelle, plus many other centres, to Montreal Engineering, and Biggar, Gravelbourg, Gull Lake and others to Dominion Electric. Three days after the May 16 conference Melville and Broadview were purchased and within another three, Estevan went on the block. Though small, many of these communities were strategically located with reference to possible transmission lines, as were others on the verge of selling. Worse still, the prospect of including the smaller cities in any provincial scheme was being eroded. Yorkton was in the process of disposing of its plant, while Weyburn and Swift Current were being ardently wooed by a number of companies. Indeed, during the last weeks of the Commission inquiry at least two of the major cities began receiving overtures.[72] Though the Government did not wish to obtain all such locations, there was a growing threat that there would be no profitable ones left unless it made haste.

At the same time editorial writers were attacking the private companies. Their motives, " . . . it may be presumed, are not altogether philanthropic . . .," said *The Leader.*[73] Nor was the Government escaping criticism. "If the provincial government has any ammunition to use in defence of public ownership of power, the time is ripe for a demonstration of its usefulness," declared *The Western Producer.*[74]

Furthermore, the cry of public ownership was beginning to rise throughout the province. Resolutions had been passed and more were pending. The Northside Ratepayers of Regina had produced one calling for an organization like Ontario's. In doing so they requested City Council to take the matter up with the Government. In council it was mentioned that the subject might be placed before the provincial convention of municipalities. Whether or not Regina did so, some other community certainly would.[75] Saskatchewan Progressives had declared themselves firmly behind public ownership, and the Regina Trades and Labor Council was shortly to do likewise.[76]

The official Opposition was also making the most of the situation and succeeding in creating something of a political issue out of the power question. The Conservative Convention at Saskatoon in March gave the subject considerable airing,[77] and at every opportunity Conservatives were pointing out that the Government had not adopted any policy and were charging it with insincerity. Just when the Commission finally filed its report, the Honorable George Spence wrote to Gardiner: "Mayor Norman [of Saskatoon] is fighting the Tories with his back up against a stone wall and relying on us for help. I would like to bring on the conference with the Cities and relieve the pressure to that extent. I am writing Norman to meet me at the train to-morrow in Saskatoon and I will discuss the matter with him and stand him off as long as I can; but, believe me, the situation is rapidly becoming unbearable."[78]

Thus during the seven weeks which followed May 16 — hectic ones owing to the changed objectives of the Government — the Commissioners stopped asking if it was economically practical to generate power at large central stations. Decreeing that it was not, they cast about to see what could be done to salvage at least some of the features of their original plan, while slapping together something which might win a measure of acceptance and permit the Gardiner government to bring forth both a policy and a program.

As a result of all the last minute changes, the Power Resources Commission produced what can only be described as a very inferior report. The ultimate reason for that inferiority is obvious; the Government decided to settle the power question on political rather than economic grounds. Political considerations dictated that attempts be made to satisfy the selfish whims of the major cities rather than strive to institute changes in the electrical utilities situation which would be in the interest of the entire province. That such considerations were paramount in determining the course adopted by the Government and the final recommendations of the Commission is evident. The Saskatchewan Progressive party charged that this was the case. Their 1929 election platform read in part: "We commend the investigation of the power commission. We do not agree that the commission found the best solution to the problem in developing the plants in large centres to which coal has to be hauled over long distances. We believe that an immediate start should have been made in the building of a unit near one of the coal fields. This was the recommendation of the consulting engineers, but political exigencies made it necessary for the government to consider the building of a plant in the city of Saskatoon."[79] To the best of the author's knowledge no attempt was made to refute the accusation. Nor does Gardiner himself appear to have denied Conservative allegations that he was instrumental in substituting one set of figures for another in the Commission's report.[80]

But one need not rely solely on the Gardiner Government's political opponents for evidence of what went on behind the scene. About three weeks before the Commission reported, the local power question came up for discussion at a meeting of the Saskatoon City Council. Alderman John Hair called for immediate action but was requested by Alderman R. M. Pinder to wait a little longer for the Commission's findings. Alderman Pinder, like Mayor Norman a staunch Liberal, plainly thought this was only fair. "We asked the government to change the whole idea on the scheme and it's really our fault that it's held up," he was reported to have said.[81] One thing at least is abundantly clear from the comment: Saskatoon asked the Government to reconsider its proposals concerning the province's electrical facilities. But who decided that one scheme should be substituted for another? By a process of elimination one must conclude it was the Government. Some years later Thornton was discussing with the mayor of Regina the possibility of establishing a tri-city system. Of such a project he commented: "It was the recommendation of our Power Resources Commission. . . ."[82] The Commissioners' report, however, did not come out in favor of such a system. What then did Thornton mean? If one concedes that his statement was true, he could have meant only one thing — that the proposals made to the cities at the May conferences embodied the considered conclusions of his Commission. The very different recommendations, placed in the Commission report at the Government's behest, were a solution to the power problem based on political expediency rather than on economic considerations.

Footnotes to Chapter II
THE SASKATCHEWAN POWER RESOURCES COMMISSION INVESTIGATION

[1] *The Morning Leader* (Regina), 27 November, 1928; Interview with L. A. Thornton, 27 August, 1964.

[2] *SPRC*., pp. 42-45.

[3] *Ibid*.

[4] *The Morning Leader* (Regina), 8 February, 13 April, 1927.

[5] North Battleford, Prince Albert, Saskatoon, Estevan, Moose Jaw, Swift Current, Yorkton and Regina. See *The Morning Leader* (Regina), 27 June, 29, 30 July, 13, 23, 25, 26, 27 August, 27 September, 1927.

[6] *Ibid*., also "Summaries of Evidence Presented to Saskatchewan Power Resources Commission," A.S.

[7] *The Morning Leader* (Regina), 27 September, 1927.

[8] *The Moose Jaw Evening Times*, 28 January, 1927, in S.S.H. Vol. 42.

[9] *The Western Producer* (Saskatoon), 13 January, 1927.

[10] *The Morning Leader* (Regina), 11 January, 1927.

[11] *Ibid*., 22 February, 1927.

[12] Sullivan, Kipp and Chase Limited, "Preliminary Summary Report to the Power Resources Commission of the Province of Saskatchewan on Electric Energy Supply to the Central Portion of the Province," 21 January, 1928, p. 2, S.P.C. Library.

[13] *Statutes of the Province of Saskatchewan*, 1928, Ch. 11.

[14] *Ibid*., Ch. 32.

[15] *Ibid*.

[16] *The Morning Leader* (Regina), 14 February, 1928.

[17] *Statutes of the Province of Saskatchewan*, 1928, Ch. 41.

[18] *The Morning Leader* (Regina), 31 January, 1928.

[19] *Ibid*., 14 February, 1928.

[20] *Ibid*., 16 February, 1928; *The Moose Jaw Evening Times*, 4 February, 1928, in S.S.H. Vol. 42.

[21] *The Moose Jaw Evening Times*, 31 January, 1 February, 1928, in S.S.H. Vol. 42; *The Morning Leader* (Regina), 1 February, 1928.

[22] *The Western Producer* (Saskatoon), 23 February, 1928.

[23] That the Gardiner Government was proceeding along the lines of its historic public ownership policy and at no time planned to set up a province-wide electrical utility is clear from its actions throughout the period of the power investigation. This is attested to by its dealings with Walter Schlosser. See W. H. Schlosser to E. W. Bowness, 29 December, 1932, D.E.P. No. 175. The Government may have gone so far as to give him details of Dunning's preliminary inquiry into power and to tell him how it would establish prices for plants it might purchase. See *The Yorkton Enterprise*, 3 February, 1928 and Estevan Council Minutes, 4 April, 1927. Government actions, meanwhile, practically forced some communities to sell out to private interests. See Local Government Board to F. J. Pilkington, 8 July, 1927, L.G.B. File, Yorkton, 1923-1927; *The Yorkton Enterprise*, 30 August, 1927, 13 March, 1928.

The records of the Local Government Board and the actions of the honorable George Spence and his Department of Railways, Labour and Industries demonstrate that the Government was not opposed to private interests acquiring a multitude of power plants and building many miles of transmission line. Finally, statements by Gardiner when the Power Commission Act was before the House confirm the conclusions. He stated that power facilities might be taken over gradually and that it was unlikely all such facilites would ever be publicly owned. See *The Regina Daily Star*, 20 December, 1928, in S.S.H. Vol. 41 and *The Western Producer* (Saskatoon), 27 December, 1928.

[24] Roche Percee on the Souris coal fields, Lake-of-the-Rivers south of Moose Jaw and Elbow on the Saskatchewan River between Moose Jaw and Saskatoon.

[25] Sullivan, Kipp and Chase Ltd., "A Report on the Economic Practicability of Centrally located Electric Power Stations in connexion with a System of High Tension Transmission Lines to serve the more populous areas within the Province," March 1, 1928, included in the *Report of the Saskatchewan Power Resources Commission*, pp. 109-110. Hereinafter cited as SKC Report.

[26] *Ibid.*, pp. 124-125.

[27] *Ibid.*, p. 125.

[28] *Ibid.*, p. 110.

[29] *Ibid.*, p. 109. The latter branch was regarded as doubtful from the economic point of view and one from Saskatoon to Prince Albert as unwarranted. It is of interest to note that the Montreal Engineering Company which planned and constructed electrical systems believed that Regina, Moose Jaw and Saskatoon could be joined together for less than the cost of a plant at Saskatoon and that the line between them would have the added advantage of acquiring the loads enroute. The firm described such a line as a natural step forward and one which would provide a reserve of 5,000 kilowatts. See *The Morning Leader* (Regina), 27 September, 1927.

[30] Saskatoon Council Minutes, 21 May, 1928, state that the report was expected in two weeks. For Commission-Government-City meetings see *The Morning Leader* (Regina), 9, 17 May, 1928 and *The Moose Jaw Evening Times*, 16 May, 1928.

[31] *The Morning Leader* (Regina), 17 May, 1928; *The Regina Daily Post*, 16 May, 1928, in Department of Railway, Labour and Industries, File No. 101, Folder 27, A.S., hereinafter cited as R.L. & I. No. 101.

[32] *Ibid.*

[33] *Ibid.*, also see Saskatoon Council Minutes, 21 May, 1928.

[34] *The Morning Leader* (Regina), 18 May, 1928.

[35] Saskatoon Council Minutes, 26 April, 1928.

[36] *Ibid.*, 21 May, 5 June, 1928; *SPRC., p. 12.*

[37] A report bearing this title was submitted by Sullivan, Kipp and Chase on 2 June, 1928. S.P.C. Library.

[38] Sullivan, Kipp and Chase Ltd., "Supplementary Study of Minimum Cost of Service to Regina, Moose Jaw and Saskatoon from Central Station at Elbow," 2 June, 1928, p. 13, S.P.C. Library.

[39] *Ibid.*, p. 5. In rejecting the scheme the Commission used the higher original figures.

[40] Ibid., p. 3.

[41] *Ibid.*, p. 11.

[42] *Ibid.*, p. 9.

[43] $100,000 compared to $30,000. See *ibid.*, p. 4 and SKC Report p. 167.

[44] Sullivan, Kipp and Chase Ltd., "Supplementary Study of . . . Central Station at Elbow," p. 11.

[45] *Ibid.*, pp. 11-12.

[46] *SPRC.*, p. 13.

[47] See Appendix A for an analysis of estimated city costs and a detailed descussion of how the Commission apparently created a document with which to reject the recommendations of Sullivan, Kipp and Chase and the inadequacy of their arguments for rejecting those recommendations.

[48] *Ibid.*, pp. 12-13.

[49] *Ibid.*, p. 13.

[50] Sullivan, Kipp and Chase Ltd., "Study of Costs of Electric Service to Regina, Moose Jaw, Saskatoon, Prince Albert and Battleford from Central stations at Regina and Saskatoon," 6 June, 1928, S.P.C. Library.

[51] W. G. Chase to R. N. Blackburn, 15 June, 1928, S.P.C. File, Power Development, General.

[52] G. Spence to J. G. Gardiner, 10 July, 1928, Gardiner Papers, p. 6,979.

[53] *The Morning Leader* (Regina), 13 July, 1928.

[54] *SPRC.*, pp. 3-5.

[55] *Ibid.*, pp. 8-9.

[56] *Ibid.*, pp. 10-11.

[57] B. W. Reesor, "The Origin and Development of the Saskatchewan Power Corporation," 1955, (unpublished thesis, University of Saskatchewan), deals with the Commission's investigation and report in Chapter II. Contrary to this author's interpretation, Reesor accepts the Commission's report without question and reads into statements by the Government meanings which are scarcely warranted on the basis of existing evidence.

[58] *SPRC.*, pp. 7, 34-35.

[59] *Ibid.*, pp. 33, 38.

[60] *Ibid.*, pp. 26-27.

[61] *Ibid.*, p. 34.

[62] *Ibid.*, p. 13.

[63] S.P.C. *Annual Report*, 1931, p. 7. Had it not been for the advent of the depression at least a few of these might have been closed.

[64] *SPRC*., p. 14.

[65] *Ibid.*

[66] *Ibid.*

[67] *Ibid.*, pp. 15, 17, 19, 41.

[68] *Ibid.*, p. 26.

[69] *Ibid.*, pp. 19-20.

[70] SKC Report, p. 155.

[71] Hon. G. Spence to Mayor G. W. Norman, 23 June, 1928, S.P.C. File, Saskatoon Power Plant, Hon. Geo. Spence. Spence informed Norman that the Government had the Saskatoon situation in mind and was pressing for rapid completion of the report of the Commission.

[72] *The Western Producer* (Saskatoon), 10 May, 1928; *The Morning Leader* (Regina), 2 May, 1928.

[73] *The Morning Leader* (Regina), 11 May, 1928.

[74] *The Western Producer* (Saskatoon), 10 May, 1928.

[75] *The Morning Leader* (Regina), 28 September, 5 October, 1927, 25 June, 1928.

[76] *Ibid.*, 26 June, 1928.

[77] *Ibid.*, 16 March, 1928.

[78] Hon. Geo. Spence to Premier Gardiner, 10 July, 1928, Gardiner Papers, p. 6,980. The conference mentioned did not take place.

[79] *The Western Producer* (Saskatoon), 30 May, 1929.

[80] *The Saskatoon Star-Phoenix*, 13 October, 1928. The charge was made by Dr. J. T. M. Anderson, the Conservative leader, and was reported as follows: "He touched on new ground in mentioning the conference called by the premier which was attended by electrical engineers of Regina, Moose Jaw and Saskatoon. When Premier Gardiner had mentioned to these engineers the cost of producing electrical energy in 1935 they had not agreed with him. The premier had advised them to go back and figure out what they believed it would cost. This done, said Dr. Anderson, it was his belief that the figure arrived by [*sic*] the engineers had been submitted [*sic*] for that in the report of the power commission. He had this information on reliable authority from Moose Jaw. He would not say it was true but he thought it was and called on the premier to deny it."

"The figure" mentioned by Anderson no doubt refers to the figures the city electrical superintendents claimed represented 1935 production costs in their respective plants. Anderson's assertion that he was given such information by a reliable source in Moose Jaw is entirely credible in view of Moose Jaw's reaction to the Commission's report. Anderson's charge, together with others, was made during a by-election in the Arm River constituency. Though in the course of the campaign government spokesmen replied to other allegations concerning their handling of the power question, they do not appear to have dealt with this one.

[81] *The Saskatoon Daily Star*, 4 July, 1928. Both Norman and Pinder were later elected as Liberal M.L.A.s for Saskatoon.

[82] Memo by Thornton, 21 May, 1936, S.P.C., Regina, Town No. 1.

Chapter Three

A TALE OF THREE CITIES AND ASSOCIATED TALL TALES

Press reactions to the Power Resources Commission report were mixed. *The Morning Leader* asserted that most people would want the Government to "accept it promptly and act upon it just as promptly."[1] *The Moose Jaw Times* was also favorable: "The recommendation for public ownership which is made by the Commission will, we believe, meet with general approval from the citizens of Saskatchewan."[2] *The Saskatoon Daily Star* expressed similar sentiments.[3] On the other hand, *The Regina Star* apparently caught the significance of what had happened. Branding the scheme "An Election Baby," it denounced both the Government and the Commission. It cited the May proposals and the cities' request to have the Commission reconsider them. Two months later the Resources Commissioners declared their first plan worthless and proposed to commandeer the three city plants at their physical valuation. "Never," the editor exclaimed, "would the practice of birth control been [*sic*] more justified than in the case of the Saskatchewan Government's power plan. It was an instance of the mountains in labor producing a ridiculous mouse."[4]

The reactions of the newspapers, however, were of secondary importance. Those of the three cities would decide the fate of the scheme. It had to hold advantages for them, preferably immediate and easily discernible advantages, or they might fear that they would sacrifice their own interests by espousing it. Their responses came quite promptly.

Within a week Saskatoon municipal officials passed a resolution generally approving the Commission's scheme and stating that, in view of the urgent requirements of their city, they would be pleased to receive an official proposal at the earliest possible moment.[5] The Government responded quickly. Within a few days it invited the City to discuss the matter. At the first meeting, on August 14, city officials were advised to tender for equipment for a new plant while the cabinet was being called together to give the subject further consideration.[6] Additional meetings followed, and before the month was over the major points at issue had been settled. In submitting a draft of its proposals to Saskatoon on September 1, the

Government stated that it had "decided to proceed with a provincial scheme for the production and sale of electrical energy."[7]

Thus the Gardiner administration officially and with little fanfare adopted a policy of public ownership of power. Though many details had yet to be worked out, the principle had been accepted. However, for reasons which will be seen, things were not going according to schedule. The decision for public ownership came almost two months later than the Honorable George Spence had said it would. In a letter to Mayor Norman on June 23, he had written: "We will announce a policy immediately the report is received by us."[8] The Gardiner Government waited until it was almost certain a major city would accept its proposals before committing itself on the principle.

During the early months of 1928 the power question was subject to much discussion by the Saskatoon Council. It had been clear for some time that generating facilities would have to be expanded, or the City would be unable to meet demands for energy. To determine how best to proceed it had obtained the services of McClellan and Junkersfeld, consulting engineers. After studying the situation the engineering firm recommended that a new 10,000 kilowatt plant be constructed at an estimated cost of $1,500,000. Upon receipt of the report, J. R. Cowley, the municipal electrical superintendent, made further recommendations to Council. After obtaining the approval of McClellan and Junkersfeld, he suggested limiting the initial installation to 7,500 kilowatts. This would reduce immediate expenditures to $1,200,000. The alternative to constructing a new plant, was making major alterations to the old one. It might be enlarged to meet the demands of the next year or two at a cost of $750,000.[9] While these studies were being conducted the City received feelers from private utility companies wishing to purchase its electrical facilities.[10] By early April two firms had shown themselves to be interested, one having made a definite proposal.

After considering the three alternatives, a special subcommittee on power plant extensions reported to Council on April 12. It recommended building a new 7,500 kilowatt generating station. To extend the old one would be economically unsound as it would result in both high operating and fixed costs. Simultaneously, it rejected the offer by Mid-West Utilities to purchase the system for a number of reasons. Sale would result in a decrease in revenue accruing to the City. The money received for the system would not be available to the City and would have to be deposited in the sinking fund. Through such a change in ownership Council would also lose control over electric rates. The subcommittee alleged that it was impossible to prevent rate increases and difficult to obtain rate reductions under a franchise granted to a private company. "The control of rates," it asserted,". . . should be absolute with the City Council." The members believed that continuation of municipal ownership and construction of a new plant would be best for other reasons as well. Such a procedure would not prevent Saskatoon from buying power in bulk if a supply became available at attractive wholesale prices. On the contrary, a reliable plant would give security in the event that power was brought in from a distance by transmission lines.[11] On the whole, the report rested heavily on the amount of revenue the City would receive, the subcommittee evidently regarding the utility as a business venture from which the municipality would obtain profits.

Within a fortnight representatives of Dominion Electric and Calgary Power approached Council stating that they would be interested in selling power to the City in bulk at wholesale prices.[12] In view of this development, the subcommittee, whose report had not yet been acted upon, made further recommendations: "(a) That . . . Council go on record that the control of rates to the consumer for electric energy should be retained by the ratepayers through their Council. (b) That the only offers for electric energy this Council shall consider shall be the purchase of electric energy by bulk or wholesale. (c) That consideration of the report of the Subcommittee on Power Plant Extensions, dated April 12th, be deferred until June 4th next; and (d) That offers be invited for the supply of power in bulk, offers to be in by June 4th, next." Council approved the recommendations.[13] City officials enlarged upon their position at the May conferences with the Government and Commission. At these they expressed a desire to have electricity generated locally, rather than elsewhere, and their plant used to supply outside communities.

When June 4 arrived only one proposal for supplying electricity in bulk had been received. Upon study it was rejected on the basis that continued operation of the local plant would provide cheaper power.[14] Thereafter, the City took no action until the Commission reported. It is interesting to note that within hours of Saskatoon opening tenders for a supply of power in bulk, Sullivan, Kipp and Chase ceased studying the central plant, tri-city transmission scheme and began cost studies based on plants at Regina and Saskatoon.

All in all, Saskatoon had made its position very clear; and why it decided to cast its lot with the Government is easy to explain. Had City Council written the recommendations of the Power Resources Commission those recommendations could scarcely have more accurately embodied the general terms it desired. Commission proposals called upon the Government to take over the existing plant which was pretty well obsolete, construct a new one, build transmission lines to outside communities and sell power to the municipality in bulk for distribution to residents at rates set by the municipality, leaving any profits to be made to the municipality. Small wonder the Council endorsed the report immediately. Furthermore, the Commission's recommendations offered the City an opportunity to improve its financial position. Saskatoon had reached the limit of its borrowing power. In order to arrange financing should it have to build the new plant, Council had had to have those limitations changed by the legislature.[15] By entering the proposed scheme, the City would not have to resort to heavy borrowing. More than that, since the Government's proposal meant that the more profitable part of the utility — distribution — would remain in municipal hands while the Government would perform the more costly, less profitable task of generation, it might become easier for the City to pay off its other debts.

By an agreement signed on November 22, 1928, Saskatoon turned over its plant to the Government. The latter assumed liability for debentures and received sinking fund monies covering part of them. The former retained the distribution system, together with debts and sinking fund applicable to that part of the utility. In acquiring the plant the Government agreed to sell electricity only to the City of Saskatoon within the city and to generate all such energy in the municipality unless it could be supplied more cheaply from elsewhere, the City in turn agreeing to purchase its power from the Government.

The cost of power to the City was defined as the actual cost of production plus one-fifteenth of a cent per kilowatt-hour. The small additional charge was intended to provide an emergency reserve to cover unforeseen expenditures on the plant. The parties also agreed that the price paid by the City would not be increased by any electrical contract the Government might enter into and that if the Government created a central authority to supervise power production, the City would not be required to pay any costs of such an authority until the quantity of power produced in all publicly owned plants was twice that produced in the new Saskatoon plant during its first year of operation. Finally, they agreed that the contract would not affect existing relations between Saskatoon and the Town of Sutherland.[16] By this condition, the City not only bought at cost but would also continue to sell at a profit to the neighboring community.

One is obliged to conclude that Saskatoon authorities made a very good deal. In almost every respect, the agreement was a one-way street. Responsibility for major capital expenditures was turned over to the Government, while any advantages arising out of lower production costs through an expanded system would accrue to the City without it contributing toward expansion. Then too, any action the Government wished to take in expanding generating facilities within the city required the approval of local officials, enabling them to exercise a measure of control over the publicly owned utility. On the other hand, their absolute control over distribution and rates permitted them to operate that section of the utility as they saw fit, without regard for the interests of the provincial system as a whole. As things worked out, the Government did not obtain any other major plant for a long time. Thus it took years for the power generated in all plants to double that produced by the new Saskatoon plant during its first year of operation. Since Saskatoon paid no administration costs during the interval, it is quite possible that the City bought power at less than cost; at least this was so during years when it paid no contingency charges.

In the long run the agreement proved to be an unsatisfactory basis upon which to build a province-wide power system. For years the contribution of Saskatoon to the publicly owned system was that of the proverbial fat man in the back seat of a car stuck in a mud hole. It contributed its bulk but little more. Much worse, in time the agreement produced a tribute-exacting minority among provincial electric consumers.

While Saskatoon's reaction to the Commission's recommendations was very favorable, that of Regina was hostile. One of the first men to speak was Alderman M. J. Coldwell. Addressing the local Gyro Club, he claimed that the price which the Commission suggested for the Regina plant was not equitable.[17] A few days later at a meeting of the Northside Ratepayers' Association, Alderman Cornelius Rink spoke against selling the power plant, the City's best asset, to anyone.[18] Within the next two weeks eleven candidates for office in the forthcoming municipal election stated their positions. Only one spoke in favor of sale to the Government, and none favored sale to anyone else. An overwhelming majority agreed that any Government offer would have to be much better than that proposed by the Commission. Several made it clear that if the Government sought to obtain their plant, they would drive a hard bargain.[19] Simultaneously, Council called for tenders on a 12,500 kilowatt turbine, twenty-five percent larger than anything the Commission proposed to install.[20] Evidently the City intended to pursue an independent course of action.

The reasons why Regina adopted the position it did on the power question are not to be found in the records of the municipality. Such records scarcely mention the matter. Nevertheless, one can arrive at certain conclusions as to why the community decided to remain independent. For one thing, Regina's electrical superintendent opposed the Government's plan.[21] He no doubt used his influence to prevent its adoption. Besides, there can be no question but that the Power Resources Commission's report at least in part shaped the attitude of city officials. As already indicated, some aldermen stated that the price suggested by the Commission for their plant was not high enough. According to estimates, the Regina generating station was worth seventy-five percent more than that of Saskatoon although the Commission's suggested price was only thirty-five percent higher.[22] In addition, the Commission's estimated cost of power for Regina under government ownership was slightly higher than the estimate of the local electrical superintendent for power under continued municipal operation.[23]

Another possible factor, gaining importance as time went on, was Moose Jaw's reaction to the Commission's report. Even before a copy of it was in their possession, certain Moose Jaw councillors declared their opposition. Within a few weeks Moose Jaw placed an almost insurmountable obstacle in the path of the scheme. It informed the Government that discussions would have to be on the basis that the Moose Jaw plant would be developed unit by unit with that of Regina.[24] Under the Commission's scheme, the entire southern system at its inauguration would consist of only Regina, Moose Jaw and intervening communities. If the two plants were developed at the same rate, there would be little possibility of Regina generating any power for Moose Jaw. Indeed, as the plants grew, Moose Jaw might build up surplus capacity and energy flow in the opposite direction, slowing down expansion at Regina. The latter would scarcely like such a condition.

Neither must financial considerations be overlooked in any discussion of Regina's reactions. Of the three cities, it was the best off. At least, its electrical utility was on the firmest financial base. Regina's power plant was the most valuable of the three, yet debts against it were lowest. Further, Government assistance was not needed to finance expansion. In fact, the City was soon to demonstrate that it did not always have to borrow for such undertakings.[25] In view of such considerations, it was more difficult to see how the Commission's plan for taking over and expanding the city plants offered anything in dollars and cents to Regina than it was to observe that losses might result.

In view of the position taken by Moose Jaw, the proposed scheme would increase demands on the Regina plant by only the few kilowatts required by some communities between the two cities. This would be too insignificant to produce any real economies in generation. Savings would have resulted from interconnecting the plants by having each act as stand-by for the other and reducing their total reserve capacity requirements, but such economies were less easily discernible. Counteracting these benefits were immediate financial losses.

During the preceding year or so private companies had built transmission lines. One of the firms was paying the City about $1,800 per month for power.[26] Such sales were regarded as being of material assistance to the general financial operations of the municipality.[27] In addition, the City charged residents of North Regina, the North Annex and Highland Park twenty-five percent more for power than city residents paid.[28] If the plant were sold to the Government, all these profits might be lost, at least part of them would be. More than that, if private companies continued to expand, additional profits might be obtained. The same would result from any transmission lines the Government might build in the vicinity of the city. All things considered, one is inclined to conclude that city officials believed that the Commissioners' report offered practically nothing in the foreseeable future which they could not obtain for themselves and that on a profitable basis. Thus Regina gave only passing notice to the Commission's scheme.

Moose Jaw's initial reaction to the Commission report, like those of Saskatoon and Regina, was dictated by self-interest, but there the similarity ended. Saskatoon and Regina reached decisions regarding the future in short order; Moose Jaw did not. In the process of deciding what do do, Moose Jaw citizens split into two opposing factions. On one side arose a party led by the Board of Trade which sought to dispose of the utility to a private concern; on the other appeared a group supporting the Trades and Labor Council, which aimed to retain the system or turn it over to the Power Commission. With two opposing principles involved, settlement of the question degenerated into a "no-holds-barred" contest.

Why should a community settle a matter of major importance in such a fashion? Contemporaries gave two answers, both essentially economic interpretations. James C. Chestnut, general manager of Dominion Electric and an initiator of the move to sell the utility, stated that its disposal was favored because Moose Jaw had fallen behind Regina and many people believed that a strong power company would help the city grow industrially.[29] Alderman Leroy Johnson, who opposed such a sale to the end, asserted that people supported it because they were under an hypnotic spell produced by adverse business conditions.[30] Neither answer is satisfactory. They tell nothing about those who opposed the sale, nothing about the decisive roles played by individuals, nothing about the parts played by groups and nothing about events which paved the way for the eventual sale.

Shortly before the Commission report was made public, *The Merchant's Weekly* interviewed four aldermen regarding their utility's future. Two of these, Johnson and Watson, stated that for the moment they preferred to see it under the municipality. The two others, McIntyre and Hamilton, declared themselves in favor of sale to a private company. Indeed, Sam Hamilton was quite poetic in stating his views. He said that the thought of selling it to the Government reminded him of a short verse:

> A little mouse sat down to spin;
> Puss came by and she peeped in;
> What are you doing my little man?
> I'm making a coat as fast as I can.
> May I come in and wax your thread?
> No, thank you, Miss Puss, you might bite off my head.[31]

Thus when the Commission reported in July 1928, Moose Jaw among the three cities was most prepared to turn its utility over to a private concern. It alone had a faction on its Council, Hamilton and McIntyre, dedicated to such a change in ownership. As far back as 1924 Hamilton had criticized the manner in which the municipal power plant was operated. And when in the summer of 1928 he came into contact with Dominion Electric's James Chestnut, the two began collaborating to bring about sale of the plant.[32] At the same time other persons were also attempting to convert the city to Hamilton's and McIntyre's way of thinking. Camped in the community and having some success was O. J. Godfrey, a chartered accountant from Indian Head, acting as agent for Dominion Electric. In June, when reporting to his superior, Thomas O'Hara of New York, he stated that Mayor Dunn was in favor of a government scheme but that he had "weaned the Commissioner [George D. Mackie], who is the power, from it and secured his promise of support to a fair offer to purchase."[33]

The movement to sell the utility to a private company might have failed, but just as it was getting under way assistance was received from a most unlikely quarter — the Power Resources Commission. To Alderman Hamilton and possibly others the Commissioners' report must have looked like a dream come true. Its contents were perfectly suited to feed the flames of city rivalry. Thus, to the extent that their recommendations supplied ammunition to the exponents of private ownership and alienated supporters of public ownership, the Commissioners and the Government must bear responsibility for the collapse of their scheme.

Insofar as Moose Jaw was concerned, the Commission's report contained contradictions. If certain parts were examined the conclusion to be drawn was that the power plants of all three cities would be expanded. On the other hand, if other parts were considered it appeared that the plants at Regina and Saskatoon would become the main generating stations. This resulted from the haste involved in completing the report, with two different plans being combined. To begin with, the Commissioners included their "please everyone" plan, calling for plants at the three cities. Then, since no study of such a scheme had been made, they included parts of the one by the consultants based on the assumption that central plants would be developed at Regina and Saskatoon. In one place the report recommended that three plants be enlarged, in another it showed that expansion would take place mainly at two.

But that was not all that was wrong from Moose Jaw's point of view. The city was to be assessed all fixed charges on the transmission line between Regina and Moose Jaw and for the transformation of energy at both ends. Thus it appeared that Moose Jaw might be required to purchase growing amounts of energy in Regina and bear all the costs of transmitting it from there. One can only conclude that the Commission assessed charges in this manner to make the scheme as attractive as possible to Regina and that the procedure was also partly the result of political considerations.[34]

In the light of the Commission's report Moose Jaw's initial reactions were understandable and not lacking justification. On July 23, the day that a summary of the findings and recommendations appeared in the newspapers, Council split on the issue of public versus private ownership. The City had been requested to consider offers for its electrical system but had delayed doing so pending receipt of the report. The subject was now brought up, whereupon Aldermen Hamilton and McIntyre urged their colleagues to call for tenders. Hamilton alleged that according to the Commission, the plants at Regina and Saskatoon would be the main ones while that of Moose Jaw would act as stand-by. McIntyre referred to the contrast in expenditures which the Commission proposed to make on the city plants. They also attacked the Commission's assessment of charges and valuations of existing plants. Opposing them were Aldermen Johnson and Thompson, who advocated retention of the plant. Johnson questioned his opponents' statements that Moose Jaw would bear an unfair burden under a government scheme. Urging that no inter-city jealousy be aroused, he, together with Mayor Dunn, asked his associates to take a broad view of the power question. Nevertheless, not a single member had a good word to say about the report.[35]

Within a few days the municipality passed a resolution stating: ". . . the Power Commissioners' report is not satisfactory to the Council of the City of Moose Jaw and . . . the Council is not prepared to discuss a power scheme for the Province, based on the report of the Commission." Some aldermen wished to go further. Attempts were made at the same meeting to pass motions empowering the City Commissioners to advertise for tenders on the utility and to have the Mayor write the Premier that the City was not in favor of any government scheme under which it would not "obtain power at costs substantially less than those obtainable under municipal operation."[36]

Had Moose Jaw refrained from further action at that point subsequent events might have taken a different course. Late in August Premier Gardiner wrote to Council expressing the Government's regret concerning the City's actions and asking if it did not wish to discuss any public ownership scheme.[37] Municipal officials agreed to meet the Honorable George Spence in Moose Jaw.[38] But by then stiff conditions had been set for such a conference. W. G. Baker, Liberal-Labor M.L.A. for the city, had advised Spence that as a basis for talks the Government would have to agree that the Moose Jaw plant would be developed unit by unit with that of Regina, that no cost of transmission lines outside the city be charged against Moose Jaw, and that the Government declare its intention to develop in Moose Jaw all energy for adjacent territory. Baker claimed that Spence agreed to base discussions on most of the points.[39] But no conference took place. Spence may have reassessed the terms and decided they were unacceptable, or he may have chosen to wait for the atmosphere to become more favorable. In voting against talks with the Government, Alderman Hamilton lashed out at him personally. And almost simultaneously, J. D. Peters, the local electrical superintendent, sharply castigated the Commissioners. Peters expressed serious doubts concerning the accuracy of their estimates and the soundness of their proposals and claimed that their report failed to answer many questions, not the least of which was the savings to be made by connecting Moose Jaw and Regina.[40] The attack was a serious blow to Government hopes. Peters had built up a good reputation; his words carried weight.

The foregoing events, however, were but the visible ones. Behind the scenes, others were occurring which were pushing Moose Jaw toward her date with destiny, January 22, 1930, when her citizens would vote to sell their system to the Iowa Southern Utilities Company of Delaware.

In an effort to assure the participation of the major cities in a provincial power scheme, the Government and Commission had changed plans when difficulties appeared, only to find that their new scheme created almost as many objections as it removed. Perhaps to their sorrow, they realized that it was impossible to tailor proposals overnight to meet the wishes of all concerned. Doubtless this accounts for the lack of a major announcement regarding power policy when Saskatoon agreed to turn its plant over to the Government. Premier Gardiner could not foresee how Moose Jaw and Regina could be brought into the scheme and, until he could, he probably did not wish to adopt the Commission's findings officially. In the meantime, however, he sought to clear the way for agreement.

In mid-August when talks were going on between the Government and Saskatoon, Gardiner was asked if negotiations meant that his administration was going to carry out the proposals of the Commissioners. He is reported to have replied:

> It will be appparent that the final suggestion of the Power Commission is largely contingent upon a willingness of the citizens to join with the government in working out the scheme. We are prepared to go as far as to say that a practical scheme can be worked out based upon the report of the Power Commission, even though the final suggestion should prove unacceptable. We are prepared to go a long way to retain public ownership of this utility but are not insistent that such ownership of necessity should be vested in the provincial government.[41]

Gardiner's meaning was obvious: he was equating municipal ownership with public ownership. On this basis municipalities could enter the Government's scheme and retain their plants. They would be in almost complete control of their utilities within their own boundaries, the Government's main concern being to see that plants were of sufficient capacity to supply the needs of adjacent areas.

Some of the terms the Government would insist upon were spelled out a few weeks later in a speech delivered during a by-election in Arm River. Briefly, they were two. Those served by the publicly owned system would have to bear its costs. And when such a system got under way, its governing body would have to have the authority to acquire such plants as were deemed necessary to provide good service.[42]

But the Government clearly was uncertain regarding what could be done or how best to proceed. Early in November R. N. Blackburn wrote that matters relating to the northern system, of which Saskatoon would form the nucleus, would be dealt with first. Conditions were favorable for an immediate start there. As far as the southern part of the province was concerned, however, he stated that it was impossible to predict what could be accomplished.[43] Thus when the legislature met in December 1928 and when the Power Commission Act became law in January 1929, the Government lacked a complete plan of action and had yet to announce a fully formulated power policy.

With a number of important additions, the Power Commission Act was an amalgamation of legislation passed at the preceding session. It provided for the appointment of a Commission consisting of from one to three members, holding office during good behavior for terms of ten years and authorized to select subordinate officers and employees.

The general powers relating to the production and supply of electricity previously conferred on the Minister of Railways, Labour and Industries were transferred to the Commission. Also received by it were the regulatory powers hitherto exercised by the Minister under the Public Utilities Companies' Act. In both cases these powers were enlarged and clarified. Specific provisions empowered municipalities to sell their electrical systems to the Commission and prescribed conditions for the disposal of funds so obtained. There had been some doubt concerning the legality of such transactions. Upon acquisition of a power plant or distribution system, the Commission was authorized to cancel any right or franchise granted by the municipality concerned to any person or firm to maintain and operate electrical facilities within the municipality. Provision was also made for it to contract to supply any person or corporation with electricity and for municipalities to apply to it for service. With respect to rural areas, the Commission was authorized to define municipalities as "rural power districts" and to contract with such municipalities for distribution of current and the supply of customers. The power of expropriation, deemed necessary for the establishment of a province-wide system, was defined at considerable length and included municipally owned power systems. Finally, the task of establishing rules and regulations to safeguard persons and property and to assure the public of reasonably safe, satisfactory and continuous service was given to the Commission. To carry out the latter duty it was authorized to investigate accidents and to inspect electrical systems.[44]

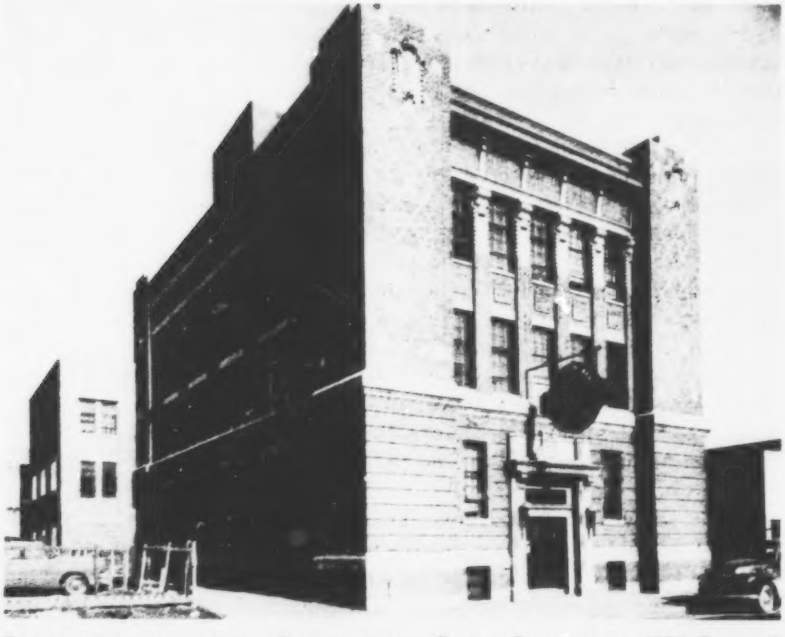
In order to finance the Power Commission, the act provided for the raising of funds on the credit of the Province. Advances were to be obtained from the Provincial Treasurer on such sums as might be appropriated from time to time by the legislature. All property acquired by the Commission was to be held in the name of the Province, which was also to receive all profits. Regulations for the handling of funds and accounting were to be drawn up by the Treasury Board.[45]

The powers of the Commission were further increased by a second bill passed during the same session. The Electric Licensing Act, the administration of which was handed over to the Commission, provided for the licensing of electrical supply houses, contractors and journeymen electricians operating in the province and embodied basic requirements regarding the class of wiring to be installed.[46]

The settlement of questions relating to the reasonableness of rates charged to municipalities or customers by private companies remained with the Local Government Board. However, it too received added authority, being empowered to prescribe a system of bookkeeping for such companies and municipalities and to obtain from them such returns and statements as might be deemed proper.[47]

Though legislation permitted the appointment of three commissioners the Government named only one — L. A. Thornton, who had chaired the power investigation. During the early part of 1929 a small staff was also gathered together. Most important among those chosen were Samuel R. Parker and Arthur Hayworth. Parker, formerly with the Government Telephones, was appointed engineer, while Hayworth, a veteran law officer in the Attorney-General's Department, was named secretary and legal adviser. On February 11, 1929 the Commission office, occupying the ground floor of the Provincial Building on Cornwall Street in Regina, opened for business.[48]

During the session Liberal policy was somewhat clarified for the public. In response to Opposition demands for information regarding the operation of the act, Gardiner outlined the course the Government intended to follow. He stated that a similar act relating to telephones had been passed in 1908. At that time there had been a number of private companies operating telephones, as there were at present in the electrical field. Over the years many had been acquired without friction or expropriation. The same process would be employed in gradually creating a province-wide Government owned power system. The Premier stated that



FIRST HEAD OFFICE OF THE SASKATCHEWAN POWER COMMISSION, 1739 Cornwall Street, Regina. (S.P.C. Photo Collection) he did not believe there was any need to obtain all privately owned plants as long as the central ones were controlled. On the contrary, if a sufficient portion of the electrical business was in the hands of the public it would be possible to regulate the conduct of the whole. The first task of the Commission would be to build up a staff of engineers and others to handle its operations. After that it would seek to control the greater part of power developments, though the time would probably never come when all people in the province would be served by the Commission.

Gardiner went on to inform the House that the administration had acted swiftly in acquiring the Saskatoon plant because it was vital to its system and private interests were seeking to obtain it. As far as the Regina plant was concerned, it was not immediately required. The City could continue to operate it and sell power to the provincial system. If it and the Moose Jaw plant were obtained by the Government it would be on a basis similar to the Saskatoon agreement. The Premier added, however, that he did not believe there could be a publicly owned system if one of the large city plants came under private control.[49]

All in all, Gardiner's statement indicated that the Government's plan for establishing a publicly owned power system involved a long period of time and did not completely exclude private ownership. In taking such a position the Government, contrary to the recommendations of its Commission, was placing limits on the extent to which the principle of public ownership would be applied. But this was not all. In stating that the Regina plant was not immediately needed, it was postponing a basic part of the Commission's plan for a publicly owned system.

Of the contributions regarding the power question made by other members of the House during the session little need be said. During the second reading of the bill to establish the Power Commission, the Honorable George Spence delivered another "bridgehead" speech and praised the "super-power scheme" the Power Resources Commission had worked out.[50]

Those opposing various sections of the bill were four in number. D. A. McNiven and M. A. MacPherson, Liberal and Conservative respectively for Regina, teamed up to demand assurance that the plant of their constituents would not be expropriated. Gardiner assured them that arbitrary methods would not be used in the case of either Regina or Moose Jaw.[51] The two members, together with Dr. Anderson, the Conservative leader, and J. A. Cross, Liberal of Willow Bunch, also voiced support for private ownership. While asserting that his party was committed to public ownership, Anderson stated that private capital had a place in all development schemes.[52] McNiven, on the other hand, the apparent House champion of private operation, branded as unjust certain sections of the power bill and suggested that the Government confine itself to areas not already served by private companies. In supporting him Cross stated that several towns in his constituency were apparently being served well by private firms and that such concerns should not be unnecessarily disturbed. McNiven and MacPherson also requested the Government to pass legislation clarifying the legal status of purchases of municipal utilities by private companies.[53]

It is doubtful if the Government paid much attention to the comments of McNiven, MacPherson or Cross. It was probably aware that McNiven and MacPherson and quite likely Cross were the lawyers of the private companies and may have thought of them as being intent on giving their clients a little extra for fees received.[54]

Considering the information available to him, Dr. Anderson delivered the ablest speech of the session on the power question. In it he aptly described the inadequate state of Liberal policy:

> We are all agreed we are ready to endorse what has been done so far by the government. We have one plant under the government system and we have a commission of one man and a statement from the minister in charge of that department that it is the intention of the government to sell power wholesale. But it seems to me we should have a more definite statement as to what the government intends to do. We know the private companies are operating on a large scale. . . . There were some 100 plants sold to private companies. We are also informed that the Montreal Engineering Company has offered to sell out to the government, and yet the government has made no statement as to what it intends to do. We are also informed that a private company proposed to erect a steam generating plant in the Estevan coal fields. Why does not the government erect a plant there and sell power to the private companies operating in the district? Towns similar to Rosthern, near Saskatoon, are waiting for the government scheme. Does the government intend to sell power wholesale to them or to someone else to sell to them? These are things not only the people outside Saskatoon would like to know but the people inside as well. The citizens are looking forward to the erection of a large plant not only to supply the city but the outside as well. . . . The people of the province are looking for something on a larger scale than anything outlined in this house so far. . . . I say it is high time the government did something if they are sincere about a large scheme of government-owned power in the province.[55]

There was, however, one thing wrong with the Conservative leader's speech. He made it after the Power Commission Act had been passed and debate on the question was over. Though the Speaker made no ruling, he was no doubt out of order, as alleged by Gardiner.

Despite Opposition requests, the Government did not state fully what it intended to do for the simple reason that it was undecided. Without resorting to expropriation there was little that could be done to create anything resembling a province-wide power system. But fear of the effects such a step might have on the Liberal party in the cities probably removed it from the realm of the possible. Had some other course been open, the Government would likely have adopted it. An election was in the offing, and an impressive start on a provincial power system would have been a fine record on which to campaign.

Throughout the latter part of 1928 and while the legislature sat, Moose Jaw was relatively quiet. Not until the House had been prorogued did the tempo of events quicken. Until then efforts to turn the electrical utility over to a private concern appeared to have been made sporadically and to have reflected individual rather than organized activity. The private ownership faction on City Council brought in a motion calling for consideration of offers to purchase the local utility, but it was defeated.[56] Not for a number of months could Council be persuaded to take such a step. During the interval some of its members were converted from belief in municipal or public ownership to support of private ownership.

The first conversions came quickly and were possibly in part the result of the Power Resources Commission report. Early in August 1928, J. E. Chisholm, barrister and solicitor, gave J. C. Chestnut of Dominion Electric details concerning Council's vote on the motion to call for tenders: a month previously it would have been nine to two; August 5 it was five to five with one absent. Chisholm stated that although he had been very busy he could not do any better but assured Chestnut that the matter was not closed.[57] This was one of the first of a number of communications to pass between Moose Jaw businessmen and Dominion Electric.

No sooner had business and professional men entered the picture than they began to spread propaganda. An early step was taken by C. N. Henderson of Henderson Agencies. To F. D. Reid of Dominion Electric, he wrote: "I would be very glad if you would drop me a line asking that I interview our local Real Estate offices to ascertain as to whether or not they have any space available in any of the office buildings here and . . . what the amount of rent might be as it is your intention to permanently locate in Moose Jaw. I think I discussed this matter with you the other evening when in Regina and you will understand the object of this letter."[58] Reid proved cooperative. Henderson's plan was to create the belief that Dominion Electric planned to establish its head office in the city in order to drum up support for disposing of the utility to the company.

Late in February 1929 the Board of Trade came out strongly in favor of selling the utility to a private company. Action by it was probably delayed until then to see what would transpire in the legislature. Perhaps, the Board wanted to learn if the Government would offer much opposition to such a transaction. If such was the case Gardiner's comments put an end to any existing fear, for at a meeting of the Board on the twentieth, W. F. Thorn, past president, urged City Council to give early consideration to the sale of the utility. He also called for a joint meeting of both sections of his organization to discuss the matter and give citizens a definite lead.[59] Within a few days the junior and senior sections of the Board passed a unanimous joint resolution calling for sale to private interests and prevailed upon City Council to arrange a round table conference to deal with the subject.[60]

The action of the Moose Jaw Boards of Trade resulted in the last major power policy statement by Premier Gardiner prior to the defeat of his

Government in 1929. The call by the Boards for sale to a private concern made it clear that a decisive battle for a publicly owned system would have to be fought at Moose Jaw. On March 4, 1929 W. G. Ross, Liberal M.L.A. for Moose Jaw, briefed Gardiner on events. Referring to the Board's resolution, he stated: "This makes the situation very difficult. If negotiations are commenced with one of the private Power Companies, and the new commission has to step in to prevent the sale, the local situation is not going to be very good."[61] Gardiner replied that he would speak in the city. "I can deal with the Power situation in a general way as it applies to the whole province and I think in that way can do as much good in Moose Jaw as could be done in any other way."[62]

The Premier planned his speech carefully; it contained both a promise and a threat. He discussed the purpose of the power investigation at some length, asserting that there had been some misunderstanding throughout the province as to the intention of the Government when the Commission reported. It had been intimated, he claimed, that the Commission was to establish a policy. Rather, the intention was that it gather information to assist the Government and the people in arriving at conclusions as to what the proper power policy of the province should be. "Some . . . read into the findings of the Commission the intentions of the Government," he declared.[63] Thus the Government indicated that it was prepared to repudiate the scheme recommended at its behest by the Commission.

Belatedly, Gardiner went on to urge people to work together. "The appeal which we are making to the province of Saskatchewan, whether rural or urban, is that they cooperate in retaining in the hands of the public the ownership and control of a utility upon which the future development of our natural resources depends."[64] Then in conclusion, he made a declaration of far-reaching consequence but which under the circumstances appears to have been little more than a step taken out of sheer desperation: ". . . we intend that the government shall own and control the long distance transmission lines of this province just as it now owns its long distance telephones."[65] The threat was thinly veiled: if Moose Jaw sold its plant to a private company the firm need not expect to serve any more than the city itself. At the same time the announcement brought development in the electrical field to a grinding halt. The private companies could not continue to expand under such conditions while the newly established Power Commission, stranded "high and dry" with insufficient appropriations, could not do so either.[66]

This was as close as the Gardiner administration came to a fully formulated power policy. It embodied a principle surrounded by a few details of how and when that principle would be put into practice. If, as the Premier indicated in his speech at Moose Jaw, the recommendations of the Commission were not definitely a part of Government policy, it was not only an incomplete policy but an incomplete policy almost entirely unsupported by plans. True, there was the Saskatoon agreement providing for the sale of power at cost, but it could scarcely be applied in more than a limited number of cases. In any event, there had been only one set of plans for anything approaching a province-wide power system. These made up the original report by Sullivan, Kipp and Chase which had been sacrificed the previous summer. Even if the Government had wished to return to them, it would have been almost impossible to do so after the report of the Commission and the signing of the Saskatoon agreement.

During the remainder of the time the Gardiner administration held office the Power Commission took steps to obtain a few small plants and build a few miles of transmission lines. Literature prepared when the Government went to the polls included The *Saskatchewan Liberal Handbook*, reading in part: "The alertness, vigor and progressiveness which characterize the Gardiner Government were well illustrated in its grappling with the Power question."[67] Such claims were not warranted by the party's performance. Indeed, the disparity between the two may have accounted for part of the gains made by opposition parties in the 1929 election.

First generating station to operate under Saskatchewan Power Commission management. The Commission took charge of the utility created by Humboldt municipal authorities on 1 November, 1929. (Courtesy *Saskatoon Star-Phoenix*)

Gardiner's Moose Jaw speech had at best a negligible effect on developments in that city. In a letter to J. C. Chestnut, C. N. Henderson described the meeting which soon took place between City Council and the Boards of Trade. W. F. Thorn, principal spokesman for the Boards, claimed that contract tendered and price offered for the utility were not the only things to be evaluated. The City should also consider where the company would locate its head office, the number of men it would employ and what connections it had in the East which would assist in bringing in industries. Council agreed to give serious considerations to these points. The meeting obviously served its purpose, for Henderson added that Council, at its meeting next morning, favored calling for tenders.[68] From that time forward, it was largely a matter of time until the required motion was passed, tenders obtained and one of them selected for submission to the burgesses. However, before such events took place other developments occurred to complicate and delay settlement of the power question.

No sooner had the balance in Council tipped in favor of those wishing to sell the utility than the Trades and Labor Council became interested. Early in May a committee selected by it came out in opposition to sale. This was regarded in some quarters as quite a blow to advocates of private ownership. Members of Council willing to dispose of the plant now feared bringing the matter to a vote of the burgesses lest the required majority not be obtained.[69] Not until mid-June did the City advertise for tenders and then it decided that they would not be opened until late September. Still not altogether certain how the Gardiner Government would react to approval of one submitted by a privately owned firm, Council opted to wait until the Anderson administration was in office in the belief that it would view such an act more favorably.[70]

When the day for opening bids arrived only two were on hand, submitted by the Saskatchewan Power Commission and the until then largely unheard of Iowa Southern Utilities of Delaware. Montreal Engineering, Dominion Electric, and Canadian Utilities requested time to ascertain what their future status in the province would be.[71] A few days previously, in what might best be described as his statement of power policy for the coming week, Premier Anderson had declared that the Government would begin negotiations to bring all privately owned utilities into a publicly owned system.[72] Power Commissioner Thornton and four aldermen were willing to grant extensions, but their opponents carried the day. Alderman Hamilton wanted to achieve his objectives and to do so quickly. The other companies, he alleged, had been brow-beaten by the Government and would not bid even if given more time. Expressing alarm at the thought of a government in Regina taking control of the Moose Jaw plant,[73] he left no doubt concerning which of the bids he thought was best.

The two tenders differed markedly, both in price offered for the utility and in other details. The Commission offered either of two plans. It would take over the whole system and supply customers retail or take over the generating station and sell power in bulk at cost to the City as had been done in Saskatoon. Under either scheme, capitalization would be no greater than under municipal ownership, while operating conditions would be much the same. Had the City accepted the Power Commission offer to purchase the power plant only, it would have received about $1,000,000, of which about $100,000 would have been in cash. Iowa Southern Utilities, on the other hand, offered to pay $2,875,500 cash for the system, reduce rates by fifteen percent, spend $250,000 on the plant within eighteen months, establish an industrialization fund of $150,000, erect a swimming pool using part of the industrialization fund, establish its head office in the city, provide an old age pension and group insurance plan for its employees, and bring one new industry to the city.[74]

Council set October 28 as the date on which tenders would be considered and asked the electrical superintendent for comments on them.[75] When this meeting took place things went strongly against the Power Commission. Council received two letters. One from the Boards of Trade called for negotiations with Iowa Southern, provided favorable rates were agreed upon. The other from J. D. Peters advised Council to weigh the offer of the company against keeping its own plant rather than against sale to the Commission. Of the two, Peters' communication was doubtless the more important. In beginning his comments he stated: ". . . I am endeavouring to maintain a strictly neutral attitude insofar as that much debated subject of Private versus Public Ownership is concerned, and I trust that my comments, which are necessarily brief will not be construed as arguments either for or against the disposal of your plant." He then dealt with the financial status of the utility and, having done so, dismissed the Power Commission offer in a few words: "The basis of the entire proposal is 'service at cost' which is a very indefinite term, for 'service at cost' under one management might be more expensive than service at a substantial profit under another management. Advocates of this scheme must therefore possess faith in the Government Commission, to produce power at lower cost than any other organization, and to this extent the scheme takes on a political aspect right at its conception."

On the other hand, when he came to the Iowa Southern offer, Peters described it as "a very clear cut proposal." "The acceptance of this offer, without mentioning any of the possible benefits due to industrial development, would as I see it . . ." provide for the repayment of twenty percent of the City's bonded indebtedness, increase the assets of the municipality by $1,300,000, reduce electrical rates, permit the City to avoid heavy capital expenditures, replace the "variable and probably uncertain" utility surplus with a definite fixed income and end the practice whereby consumers pay excessive rates for electricity as a contribution to city revenue.[76]

As an analysis of the tenders, Peters' comments were far from satisfactory and could scarcely be described as coming from a man in a neutral position. Without such particulars as rates to be charged and estimates of revenue which would accrue to the municipality under four alternatives — municipal operation, private operation, sale of the plant or sale of the entire system to the Commission — comparisons were impossible. In addition, some of the information he did supply was of questionable soundness.[77]

On the basis of Peters' letter and little else, a motion was introduced calling on Iowa Southern to place more details of its proposal before Council. With the mover's consent, the motion was modified to permit the Power Commission to do so as well. However, it called for presentation of rate schedules. Thornton informed the meeting that he could not supply any as his tender offered service at cost.[78] For all practical purposes, the effect of the condition was to eliminate the Commission as a contender for the plant. Thereafter, Council considered the proposals of Iowa Southern almost exclusively and in relatively short order approved an agreement for submission to the burgesses. In doing so, it defeated a motion "That the agreement in its present form between the City and the Iowa Southern Utilities, be referred to some competent Counsel to be named by the City Solicitor for his opinion as to whether or not the interests of the city have been amply protected."[79] The majority was ready to cast caution to the wind to assure that the plant came under private control.

After the passage of the motion calling for a vote of the burgesses, Council became a relatively insignificant factor in events. The Boards of Trade, guided by W. F. Thorn, spearheaded a drive to persuade burgesses to vote for the sale, while the bulk of their opponents rallied behind the Labor Representation League, a body associated with the Trades and Labor Council. At first, the Boards attempted to convert or quiet the other side. They asked the League to cooperate and not commit itself to any line of action without careful consideration.[80] League members and supporters were told to look upon the sale in terms of dollars and cents only, which was described as a matter of pure economics, whereas the principle of public ownership was alleged to be an academic question. Board of Trade spokesmen claimed that the plant was inefficient and that its sale would result in reduced electric rates, a tax cut of from eight to eleven and a half mills, and would enable the City to avoid spending $350,000. The League, however, did not follow their lead. Andrew Tate and J. F. McClellan charged that there was something behind the Boards' actions which was not apparent on the surface and that it had not been contended until recently that the power plant was inefficient. McClellan stated that he favored public ownership and did not want Moose Jaw to be a small minority standing in the way of any wide power scheme.[81] Shortly thereafter, the League decided to enter labor candidates pledged to oppose the sale in the forthcoming civic election.[82] This it did, but its candidates were defeated, all aldermen elected except one being in favor of selling the utility.

Before and after the municipal elections, the Boards of Trade kept up their agitation. Meetings and debates took place and large spreads appeared in the newspaper. The imagined benefits of the proposed transaction grew by leaps and bounds. In addition to the many other advantages, it was soon claimed that sale would permit the City to avoid expending $700,000, stimulate business and bring in more population.[83] Indeed, before the vote was taken, it was even maintained that sale would result in improvements in the health, happiness, and well-being of Moose Jaw residents.[84]

Members of the Boards carried out other activities as well to bring about the sale. Iowa Southern wanted a guarantee that the full price paid to the City, plus costs of extension, would be protected should the Province decide to expropriate. A. J. Wickens, a local barrister, interviewed Premier Anderson and Attorney-General MacPherson in an unsuccessful effort to obtain such a promise and to get the Government to go on record against expropriation. As a result, Aldermen Johnson and Wilton accused the Boards of trying to take matters out of the hands of Council, while Alderman Jackson charged them with using "steam hammer" methods.[85] Nevertheless, the bylaw to sell the utility won approval by a margin of four to one.

Thus Moose Jaw made its decision. It was a decision against any wider scheme of power development and, as such, a choice of the supposed interests of the community over the real interests of the province at large. But equally unfortunate, it was a decision reached through questionable methods. The manner in which the majority in Council eliminated the Power Commission as a contender for the utility, together with their haste in approving Iowa Southern's tender without thorough study, has already been observed. Regrettably, this seems to have been the typical manner in which for a number of months people in Moose Jaw reached decisions about the future of their utility.

When Moose Jaw business and professional people set about collecting information, some of the methods they adopted were peculiar, to say the least. "The information which you have given me will, I know, be of considerable benefit to the Committee on which I am acting," wrote H. W. Pope of Seaborn, Kent and Pope to F. D. Reid of Dominion Electric.[86] Upon receipt from J. C. Chestnut of Dominion Electric of a *Financial Post* clipping which made comparisons between private and public ownership, A. J. Wickens replied: "No doubt the Association or whatever the name of the general organization of private power producers is, will have some figures outside of Ontario and Quebec figures." The writer stated that he wanted all the data he could get.[87] When Dr. H. S. Johnstone, a local chiropractor, wanted information on Dominion Electric's Assiniboia utility, it was obtained from Walter Schlosser of Dominion Electric. Of course, Schlosser assured Dr. Johnstone that the town had made a good deal with his firm. And when Dr. Johnstone wanted to know if agreements with private companies adequately protected the consumer, he wrote to Schlosser. The reader can well imagine the reply he received.[88]

Whether such letters from private operators were all solicited is uncertain. Nor can one determine the amount or sources of other data businessmen collected. However, this much is known. The Board of Trade itself obtained details of Yorkton's agreement with Mid-West Utilities. F. J. Pilkington, city clerk, wrote that among other things the City had made an excellent deal.[89] But anything Pilkington might say about the transaction was scarcely worth the paper it was written on. In analyzing it, he found thousands of dollars in benefits to the City which were actually nonexistent.[90]

If anything, the investigation conducted by the Trades and Labor Council and the Labor Representation League was less adequate than that of their opponents. They consulted no one; rather they merely talked matters over among themselves and decided that the utility should not be sold.[91] Their criticism of the proposed sale could have been more thorough. They seem to have made little reference to such items as the high capitalization that would be applied to the utility under private ownership. As the editor of *The Evening Times* pointed out, it would at least be "capitalized at the purchase price of $2,875,000, plus the $150,000 sop to the Board of Trade and the swimming pool."[92]

As far as the beneficial results of selling the plant to a private company were concerned, they were greatly overestimated. The claim that sale would relieve the City of making large expenditures was not as advantageous as it was made to appear.[93] Nor was the claim that sale would cause taxes to drop anywhere from six to eleven and a half mills borne out.[94] Industrialization resulting from the transaction is much more difficult to assess. About all that can really be said is that Regina and Saskatoon under public or municipal ownership achieved as much or more than Moose Jaw.[95] The citizens of Moose Jaw were also promised a rate reduction. This may well have been the cruelest hoax ever perpetrated on the community by a man placed in a position of trust. Evidence suggests that largely as a result of Alderman Hamilton's efforts to sell the plant to a private company, Moose Jaw consumers paid 12.3 percent more for their power for one year and five months and 2.3 percent more for an additional two years than they otherwise would have paid had not such efforts been made.[96] The episode does not say much for the superiority of private operation over any other form.

Thus the three cities, officials of each doubtless believing they had done the best for their citizens, went their separate ways. But regardless of the courses adopted or how good any of them might have appeared individually, all led to duplication and waste. Such results became unavoidable when the recommendations of Sullivan, Kipp and Chase for an integrated power system were rejected.

Footnotes to Chapter III

A TALE OF THREE CITIES AND ASSOCIATED TALL TALES

[1] *The Morning Leader* (Regina), 24 July, 1928.

[2] *The Moose Jaw Evening Times*, 24 July, 1928.

[3] *The Saskatoon Daily Star*, 24 July, 1928.

[4] *The Regina Star*, 25 July 1928, in L.G.B. Scrapbook.

[5] Saskatoon Council Minutes, 26 July, 1928.

[6] *Ibid.*, 16 August, 1928; *The Morning Leader* (Regina), 10, 15 August, 1928.

[7] Saskatoon Council Minutes, 10 September, 1928.

[8] Honorable George Spence to Mayor G. W. Norman, 23 June, 1928, S.P.C., Saskatoon Power Plant, Honorable George Spence.

[9] Report of the Subcommittee on Power Plant Extensions to the Chairman and Members of the Standing Committee of City Council, 12 April, 1928, Saskatoon City Records.

[10] Saskatoon Council Minutes, 3 January, 9 April, 1928.

[11] Report of the Subcommittee on Power Plant Extensions to the Chairman and Members of the Standing Committee of City Council, 12 April, 1928, Saskatoon City Records.

[12] Saskatoon Council Minutes, 23 April, 1928.

[13] *Ibid.*, 26 April, 1928.

[14] *Ibid.*, 5 June, 1928.

[15] This was first attempted through a private member's bill, but rather than pass it the City Act was amended to exclude borrowings for electric light extensions from the general borrowing power of cities. Moose Jaw had maintained that the first course was unfair as it had recently made major expenditures.

[16] Honorable T. C. Davis, Attorney-General, to Mayor Norman, 1 September, 1928, in Saskatoon Council Minutes, 10 September, 1928; also see Minutes, 10 September, 22, 29 November, 1928.

[17] *The Morning Leader* (Regina), 23 November, 1928.

[18] *Ibid.*, 28 November, 1928.

[19] *Ibid.*, 6, 7 December, 1928.

[20] *Ibid.*, 30 November, 1928.

[21] When questioned George Spence informed the writer that Premier Gardiner met Regina first concerning establishing a provincial power system. Gardiner learned that F. W. Bull, the electrical superintendent, was opposed to selling the plant. According to Spence, it was mainly due to Bull's opposition that Regina would not sell to the Government. George Spence Interviews, 27 August, 1963, 2 September, 1964.

There is no doubt a good deal of truth in Spence's statement. Bull does not appear to have had much faith in the idea of serving southern Saskatchewan via transmission lines radiating from a large plant. At the Regina sitting of the Power Resources Commission he claimed that there were many handicaps to using a super power station at the coal fields to supply Regina, Moose Jaw, Weyburn and Estevan with power. He expressed the opinion that line losses between such a plant and the cities would be high and doubted that a large plant there could be made sufficiently more efficient than city plants to compensate for the losses. He also believed that better ways of burning lignite would have to be found, stating that lignite had to be delivered to his plant at one-third less in cost than high grade coal to warrant its use. Likewise, he did not hold out much hope for radiating lines from a central plant like Regina's and making a business of it. See *The Morning Leader* (Regina), 27 September, 1927.

[22] Sullivan, Kipp and Chase Ltd., Study of Costs of Electric Service to Regina, Moose Jaw, Saskatoon, Prince Albert and Battleford from Central Stations at Regina and Saskatoon, 6 June, 1928, p. 2; *SPRC*, p. 19.

[23] 1935 costs 0.8128 cents compared to 0.8675 cents; *SPRC*, p. 19.

[24] *The Morning Leader* (Regina), 1 September, 1928.

[25] *Ibid.*, 20 February, 1929.

[26] *Ibid.*, 29 December, 1928, in R. L. & I. No. 101.

[27] *The Morning Leader* (Regina), 8 July, 1927.

[28] *Ibid.*, 6 April, 1927.

[29] J. C. Chestnut to L. Loeb, 16 July, 1929, D. E. P. No. 171.

[30] *The Morning Leader* (Regina), 31 December, 1929.

[31] *Moose Jaw Merchant's Weekly*, 20 July, 1928, in D. E. P. No. 171.

[32] J. C. Chestnut to L. Loeb, 16 July, 1929, D. E. P. No. 171. For Hamilton's criticism of the management of the plant see *The Morning Leader* (Regina), 1 November, 1924.

[33] O. J. Godfrey to T. A. O'Hara, 23 June, 1928, D. E. P. No. 171. Possibly through Godfrey's efforts Mackie invited Fred D. Reid of Dominion Electric to Moose Jaw to discuss matters affecting his firm in the province and to show him what the city had to offer as a headquarters. See G. D. Mackie to F. D. Reid, 20 June, 1928, *ibid.* W. G. Ross, Liberal M.L.A. for Moose Jaw, wrote a similar letter to Reid the same day, *ibid.*

[34] In their investigation, Sullivan, Kipp and Chase studied three transmission lines radiating from the tri-city core. These included lines from Saskatoon to Prince Albert, from Saskatoon to North Battleford and from Regina to Kamsack via Qu'Appelle, Melville and Yorkton. The first they classed as economically unwarranted, the second as economically questionable, and the third as economically desirable. See SKC Report, pp. 109, 162. In the June 6 cost study of plants at Regina and Saskatoon only the two least attractive branches were considered. The reasons for this seem obvious: private utility companies held nothing along the routes of the two northern lines whereas they controlled almost everything and were operating lines forming part of the Kamsack route. The Kamsack line was not included in the study nor in the recommendations of the Commission probably because the Gardiner government had decided to permit the private companies to continue to operate and did not want recommendations in the report which it might not wish to carry out or which could prove embarrassing in the future. Had this not been the case and had the Commission recommended such a transmission line together with the one from Regina to Moose Jaw, transmission and transformation charges could have been assessed against a much larger southern system or, at the very least, lower transformation costs at Regina could have been charged to Moose Jaw.

Added insight is gained respecting the Commission's report when one examines what happened to the proposed lines from Saskatoon to North Battleford and Prince Albert after the Saskatchewan Power Commission was established. Plans for both were scrapped by the fall of 1929. L. A. Thornton to George Spence, 13 March, 1929, S.P.C. file, North Battleford, Town No. 1; S. R. Parker to Thornton, 5 October, 1929, S.P.C. file, Shellbrook, Town No. 1.

[35] *The Moose Jaw Evening Times*, 24 July, 1928; *The Morning Leader* (Regina), 25 July, 1928.

[36] Moose Jaw Council Minutes, 6 August, 1928.

[37] *The Morning Leader* (Regina), 1 September, 1928.

[38] Moose Jaw Council Minutes, 4 September, 1928.

[39] *The Morning Leader* (Regina), 1 September, 1928.

[40] *Ibid.*, 5, 6 September, 1928, in R. L. & I. No. 101.

[41] *The Western Producer* (Saskatoon), 16 August, 1928.

[42] Gardiner Papers, pp. 11,473-74.

[43] R. N. Blackburn to Leopold Pistner, 3 November, 1928, Department of Public Works, P.W. 1, Correspondence of Chief Mechanical Superintendent, K. Lignite investigation. A. S.

[44] *Statutes of the Province of Saskatchewan*, 1928-1929. Ch. 3, Parts I, II, and III.

[45] *Ibid.*, Parts IV and V.

[46] *Ibid.*, Ch. 4.

[47] *Ibid.*, Ch. 10.

[48] *Regina Daily Star*, 5 February, 1929, *Regina Daily Post*, 14 February, 1929, *The Morning Leader* (Regina), 12 February, 1929, in R. L. & I. No. 101.

[49] *Regina Daily Star*, 20 December, 1928, in S.S.H. Vol. 41; *The Morning Leader* (Regina), 20 December, 1928, in S.S.H. Vol. 43; *The Western Producer* (Saskatoon), 27 December, 1928.

[50] *Sessional Papers*, 1928-29, Regina, King's Printer, 1929, see pp. 115-119 for speech by Spence.

[51] *Regina Daily Star*, 20 December, 1928, in S.S.H. Vol. 41.

[52] *Ibid.*, 15 January, 1929, in *ibid.*

[53] *Ibid.*, 15, 16 January, 1929, in *ibid.*; *The Western Producer* (Saskatoon), 24 January, 1929; *The Morning Leader* (Regina), 2 February, 1929.

[54] Power of Attorney in favor of D. A. McNiven was issued by the Montreal Engineering Company on 10 June, 1927. See file 7149, Office of the Provincial Secretary, Registrar of Companies. The service of M. A. MacPherson was obtained by Northern Light and Power the same year. At about the time Northern Light and Power was purchased by Canadian Utilities, MacPherson was issued a Power of Attorney by that firm. See files 7407 and 7756 in *ibid.* In the early part of 1929, Colonel J. A. Cross began handling legal matters for Dominion Electric, signing what may have been his first document for the firm on 22 February. See file 7332 in *ibid.*

[55] *Regina Daily Star*, 22 January, 1929, in S.S.H. Vol. 41.

[56] Moose Jaw Council Minutes, 6 August, 1928.

[57] J. E. Chisholm to J. C. Chestnut, 6 August, 1928, D. E. P. No. 171.

[58] C. N. Henderson to F. D. Reid, 6 August, 1928, reply, 7 August, 1928, *ibid.*

[59] Moose Jaw Board of Trade Minutes, 20 February, 1929.

[60] *Ibid.*, 13 March, 1929; Moose Jaw Council Minutes, 5, 11 March, 1929.

[61] W. G. Ross to J. G. Gardiner, 4 March, 1929, Gardiner Papers, p. 9,395..

[62] Reply, 5 March, 1929, *ibid.*, pp. 9,393-9,394.

[63] Moose Jaw Speech, 18 March, 1929, *ibid.*, p. 11,676.

[64] *Ibid.*, p. 11,677.

[65] *Ibid.*, p. 11,678. Phillips B. Shaw, New York supervisor of Dominion Electric operations, claimed that the announcement came without warning. See *The Morning Leader* (Regina), 23 May, 1930.

[66] The appropriations were only sufficient to pay for the work in progress at the new Saskatoon plant. See Thornton to Honorable George Spence, 12 February, 1935, Gardiner Papers, Saskatchewan Power Commission, 12 February—10 June 1935.

[67] *Saskatchewan Liberal Handbook*, 1929, p. 3, *ibid.*, X, 11, 3.

[68] C. N. Henderson to J. C. Chestnut, 16 April, 1929, D. E. P. No. 171.

[69] J. C. Chestnut to Phillips B. Shaw, 19 May, 1929, D. E. P. No. 216.

[70] J. C. Chestnut to Loeb and Shaw, 5 August, 1929, D. E. P. No. 171. Also see Moose Jaw Council Minutes, 17 June, 1929.

[71] Moose Jaw Council Minutes, 21 October, 1929; Telegram C. J. Yorath to P. B. Shaw, 21 October, 1929, J. C. Chestnut to D. Craven, 21 October, 1929, D. E. P. No. 171.

[72] *The Morning Leader* (Regina), 15 October, 1929, in S.P.C., Government Provincial, Power Policy No. 1.

[73] *The Moose Jaw Evening Times*, 22 October, 1929.

[74] Proposed Contract the City of Moose Jaw and Iowa Southern Utilities Co. of Delaware, Moose Jaw Board of Trade Records; *Regina Daily Post*, 22 October, 1929, in R. L. & I. No. 101.

[75] Moose Jaw Council Minutes, 21 October, 1929.

[76] J. D. Peters to Mayor and Council, 28 October, 1929, S.P.C., Moose Jaw, Town No. 1.

[77] For example, he seems to have placed a higher value on small generating equipment installed in 1912 and 1914 than he did on a larger, more modern unit. For size and installation date of units in the Moose Jaw plant see *The Optimeter*, Vol. I, No. 6, p. 3, February, 1928, Records of the Moose Jaw Board of Trade.

[78] *The Morning Leader* (Regina), 29 October, 1929.

[79] Moose Jaw Council Minutes, 13 November, 1929.

[80] Unidentified Clipping, 31 October, 1929, in S.P.C. File, Moose Jaw Town No. 1.

[81] *The Morning Leader* (Regina), 7 November, 1929, in R. L. & I. No. 101.

[82] *Ibid.*, 5 December, 1929.

[83] *Ibid.*, 3 December, 1929.

[84] *Regina Daily Star*, 28 December, 1929, in R. L. & I. No. 101.

[85] *The Morning Leader* (Regina), 18, 19 November, 1929.

[86] H. W. Pope to F. D. Reid, 28 September, 1928, D. E. P. No. 171.

[87] J. C. Chestnut to A. J. Wickens, 30 March, 1929, reply, 3 April, 1929, *ibid.*

[88] Dr. H. S. Johnstone to Manager Electric Power Plant, 1 November, 1929, W. H. Schlosser to Dr. H. S. Johnstone, 15 November, 1929, Dr. H. S. Johnstone to Dominion Electric, 28 November, 1929, reply 29 November, 1929, *ibid.*

[89] F. J. Pilkington to R. Farquharson, 8 October, 1928, D. E. P. No. 156.

[90] F. J. Pilkington to J. S. Latta, 28 February, 1928, Latta Papers, M5 No. 54, Dept. of Municipal Affairs, General Correspondence 1927-1929 M-Z. Yorkton sold its system for $75,000 cash. In addition, Mid-West Utilities assumed the debenture debt of $320,000. In the letter, Pilkington stated that the actual value of the system was about $190,000. In adding up the benefits to the City he then deducted the $190,000 from the $320,000 and said the City had gained $130,000. This was scarcely the case; if the company operated the plant throughout the length of the franchise it would attempt to collect the full $320,000 through power bills. On the other hand, if it went out of business Yorkton was still responsible for the full amount of debentures owing. Assumption of debts by the company did not relieve the City of its responsibility to the bondholders. Thus there was actually little real benefit to the City in this regard.

Pilkington also valued the benefit of the $75,000 cash on the basis of an annuity at six and one-half percent over a fifteen-year period and said the City would gain $119,640. This too was incorrect. The sum would have to be deposited in a bank in accordance with Local Government Board instructions where it would earn four percent interest which banks had agreed to pay. This interest could be used by the town each year if desired. Yorkton's financial position was such that the money earned in this fashion would probably be used annually. Thus if the whole principal were kept the full fifteen years it would earn only about $45,000.

[91] Interview with Andrew Tate, 28 August, 1964.

[92] *The Moose Jaw Evening Times*, 2 January, 1930.

[93] Sale of the utility relieved the municipality of the responsibility of raising money necessary to expand the plant. However, whether debts were incurred in the form of municipal debentures or corporation stocks and bonds, the money to pay the principal, interest or dividends all came from the same source—the consumer of electricity.

[94] The first time the mill rate was set, taking into consideration the changed method of municipal financing, there was no difference whatsoever; it remained at 48.70 mills. See *The Morning Leader* (Regina), 5 April, 1930.

[95] Iowa Southern Utilities promised to bring in one new industry which would employ

seventy-five to 100 people. See *ibid.*, 11 January, 1930. The firm attempted to keep its word but the depression adversely affected the venture. Early in 1931 the Indestructible Neckwear Manufacturers Limited was established, but it soon collapsed. See Minutes of the Moose Jaw Industrialization Fund Committee, 26 January, 1931, Moose Jaw City Records.

[96] On September 4, 1928 Alderman J. A. Thompson served notice that at the next meeting he would bring in a motion to reduce electric rates and change the regulations governing collections and discounts. See Moose Jaw Council Minutes, 4 September, 1928. As a result, the electrical superintendent drew up a new schedule which was approved by the Light and Power Committee of Council. The revisions were to take effect January 1, 1929 but were rejected by Committee of the Whole. See *ibid.*, 1 October, 1928. This was probably one of the most decisive steps taken in the disposal of the plant. Had the reduction gone into effect, it would have been very difficult for a private utility company to offer both a large price and a major rate reduction, without which it is quite possible the plant would not have been sold.

At the Council meeting on October 1, during which the rate reduction question was dealt with, some of the supporters of public ownership apparently unknowingly played into the hands of their opponents. The new rates were rejected mainly on the grounds that the reduction would tie the hands of the 1929 Council before expenditures were known. Alderman Hamilton claimed that the 1929 Council should be allowed to do its own business and, furthermore, that if the rates were wrong, they had been just as wrong six months previously when the estimates were passed. See *The Moose Jaw Evening Times*, 2 October, 1928. The use of the pretext that the rate reduction would tie the hands of next year's Council before expenditures were known, was not really a satisfactory argument in view of Council's past actions. Practically a year to the day previously, a similar question had been handled. On October 3, 1927 Council had reduced the fixed charges on all light and power bills with the exception of special contracts. See Moose Jaw Council Minutes, 3 October, 27 December, 1927. At that time no one questioned the propriety of the act.

J. C. Chestnut of Dominion Electric explained Council's inconsistent behavior in a letter to his superiors in the summer of 1929. After discussing Alderman Hamilton's interest in bringing about the sale of the plant, he stated: " . . . last winter the council seriously considered putting a substantial rate reduction into effect and I think this would have been done had I not called Mr. Hamilton's attention to the fact that if a reduction were granted at that time it would make it very much more difficult for a private company to offer a further rate reduction in connection with offers that might be called for for the electric utility a few months hence. He saw the point immediately and succeeded in preventing the rate reduction, notwithstanding the fact that most of the councilmen seemed to be in favor of the same." See J. C. Chestnut to Leo Loeb, 16 July, 1929, D. E. P. No. 171.

The proposed rate adjustment which Council rejected amounted to an average reduction of 12.3 percent for class A, B and C consumers. See *The Times Morning Herald* (Moose Jaw), 17 September, 1928. When the plant was finally sold to Iowa Southern Utilities, the same group of customers and only these were promised an immediate reduction of ten percent followed by an additional reduction of five percent in two years' time. These were received on June 1, 1930 and June 1, 1932.

Chapter Four

"A GREAT DEAL OF 'BULL' "

That the Power Commission did not at once dwarf all other Saskatchewan electrical utilities was to no small degree determined by the actions of the three major cities. Those municipalities having charted their courses, the actual position it achieved was largely decided by the support it received from the Government and the opposition it encountered from private companies already established in the field. The unfolding of events was to demonstrate that it could expect little more than minimal encouragement from the former and would face strong resistance from the latter. The Anderson Government, like its predecessor in office, vacillated between public and private ownership. It did not wish to make a choice but soon opted for a publicly owned system. Later, reversing itself, it secretly zoned the province, assigning certain areas to private operators and the remainder to the Commission. To wasteful duplication of electrical facilities was added a condition which would preclude planning of the utility on a province-wide basis. Saskatchewan's chances of possessing an integrated power system thus reached a new low.

At about the time the Government set out to select members of the Power Resources Commission, the attention of other persons interested in electrical utilities began to centre on the province. Stocks and bonds in such utilities were highly regarded by investors, while financial houses in Eastern Canada and the United States had considerable resources on hand and were seeking additional areas in which to place them. Insofar as electrical developments were concerned Saskatchewan offered one of the last wide open fields for investment and speculation.

The first person to take an active interest in the matter was Senator Walter H. Schlosser of North Dakota. Thinking that the coal fields would be the logical place to develop very low cost power, he visited Estevan late in 1926. There he discovered businessmen enthusiastic about his plans. A few days later, accompanied by E. W. Garner, M.L.A. for the constituency, he met provincial officials and learned that no legal barriers prevented him from proceeding.[1] The following spring, having found financial backing in Minneapolis, Schlosser established the Northern Light and Power Company. He had in mind the construction of a moderate sized system encompassing south-eastern Saskatchewan as far north as Yorkton.[2] During the year he purchased utilities and obtained franchises from such towns as Indian Head, Wolseley, Moosomin and Balcarres. By the fall of 1928 these, together with other communities, had been connected by transmission lines extending from Balcarres to Grenfell and from Indian Head to Fleming via Grenfell. The system included about 185 miles of line, energized by a new plant at Grenfell.[3]

This was as far as Schlosser's scheme was put into effect. In fact he did not even see this much of it through to completion. To achieve his objective, satisfactory agreements had to be worked out with Estevan, Melville and Yorkton. Realizing this would be impossible, he sold his holdings to Mid-West Utilities early in 1928.[4]

Shortly after Schlosser entered the field, a small group of local people, headed by Charles Nemetz and Dr. Ernest Hixon of Watrous, also began purchasing electrical systems. By late 1927 they held utilities at Gull Lake, Gravelbourg, Herbert and Shaunavon.[5] These had been among the largest privately owned systems in the province. Desiring to expand further but lacking finances to do so, and facing growing competition for plants, they sought outside assistance which was obtained from the Albert Emanuel Company of New York. The American concern had interests in the Dominion Electric Light and Power Company of Delaware. After brief negotiations a new company, Dominion Electric Power, appeared in Saskatchewan.[6]

With the financial resources at its disposal the new firm spread out quickly. Its policy was "to expand . . . as rapidly as possible by the acquisition of any properties either large or small" which could "be brought into the organization on a thoroughly sound basis."[7] Insofar as there was any overall planning concerning location of acquisitions, those in charge seem to have been interested in establishing themselves in the south. Perhaps they thought of a connection between Estevan and a company in Alberta which would serve the intervening area.[8] Within six months such strategically located towns as Estevan, Assiniboia, Melville and Davidson sold their plants to the company.[9] Throughout the balance of the year and during the early months of 1929 old plants were re-equipped, new ones built at Shaunavon and Herbert and a transmission line constructed to serve the communities between Shaunavon and Assiniboia.[10]

Also following close on the heels of Schlosser in the spring of 1927 was the Montreal Engineering Company, the first major concern to enter the province. It was not a utility company in the ordinary sense. Rather it did engineering work for Royal Securities of Montreal and, along with the Calgary Power Company, was a subsidiary of Royal. Its purpose was to construct a power system which would be incorporated as a separate entity.[11] In the twenty or so months available to it before official policy curtailed expansion, the firm constructed a transmission line complex extending through roughly fifty communities in the vicinity of Regina, Moose Jaw, Weyburn and Estevan. All told, it eliminated somewhat over twenty-five small power plants in the process of building approximately 500 miles of transmission line.

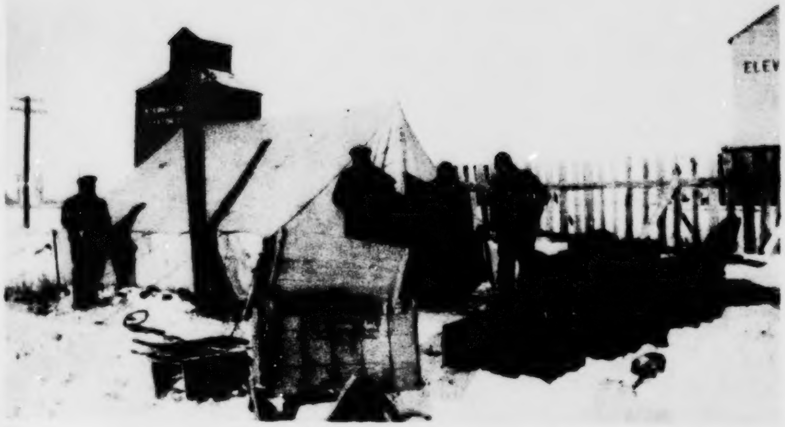
From newspaper accounts of the time the planning of Montreal Engineering is quite clear. It evisaged constructing a power plant on the coal fields near Estevan. From there it would run lines east to the Manitoba border and north-west to Regina and Moose Jaw. From Moose Jaw it intended to build to Saskatoon via Outlook. Though the records contain no mention of planned expansion beyond Saskatoon, the firm probably aimed at extending west to the vicinity of Macklin where it would connect with Calgary Power lines.[12] The company's interest in obtaining the Swift Current utility and the fact that it planned a short line west of Moose Jaw suggest that it may also have contemplated extending to Alberta through that area. It is interesting to note how closely its plans paralleled the recommendations of Sullivan, Kipp and Chase. The transmission lines it built or planned to build would have placed it in the immediate vicinity of the three sites proposed by the latter firm for a large central station. That it intended to establish a system capable of moving power in quantity is also clear. Montreal Engineering alone among utility concerns at the time built lines the capacity of which could be increased to 66,000 volts.[13]

The fourth and last company to be a factor in developments before the formation of the Commission was Mid-West Utilities Limited (later Canadian Utilities Limited) of Calgary. Like Dominion Electric, it was a subsidiary of an American concern, the International Utilities Corporation of New Jersey.[14] Due to the fact that it arrived somewhat later than the other firms, its holdings were concentrated further north. In addition, its properties consisted largely of isolated plants in larger towns and the city of Yorkton. Though it purchased the transmission system of Northern Light and Power, the only one of any consequence that it constructed before government curbs were applied was in the Watrous-Nokomis area.

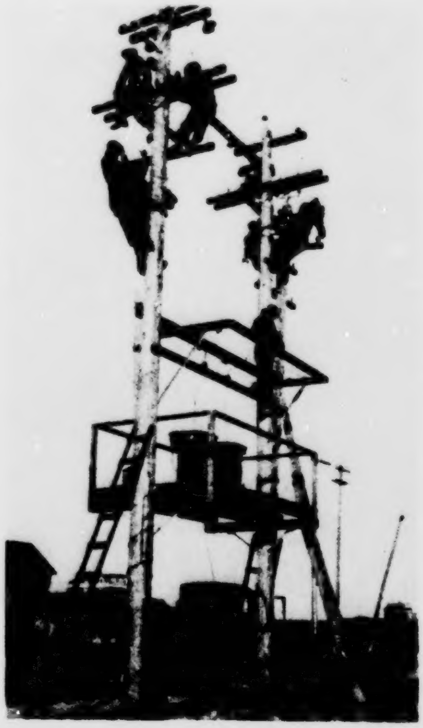
From the foregoing account of the entry of private companies into Saskatchewan, it is evident that each to a greater or lesser degree had plans for developing a power system in the province. The creation of the Commission and establishing of Government policy regarding transmission lines severely retarded their expansion before any of them had carried out its full program. Without further expansion and development they claimed that they could not earn a satisfactory return on their investments. Then too, Government transmission line policy forced some of them to make unsound expenditures. Because they could not connect certain communities to existing plants they had to increase generating capacity at some of those centres.[15] Nevertheless, they were in a fair position to vie with the Commission for control of the local situation. During 1927 and 1928 the four firms obtained control of practically all the larger electrical utilities in

MONTREAL ENGINEERING STRINGING A TRANSMISSION LINE NEAR FROUDE, 1928. (Courtesy James Eccleston, Regina)

MONTREAL ENGINEERING WIRE GANG BETWEEN FROUDE AND STOUGHTON, 31 AUGUST, 1928. (Courtesy James Eccleston, Regina)



MONTREAL ENGINEERING WIRING CREW AT SEDLEY. 1928. Left to right: Ed Green, Norman Reynard, A. E. (Bert) Dixon and Aage Nielson, foreman. (Courtesy A. E. Dixon, Regina)



MONTREAL ENGINEERING CREW ERECTING TOWN SUBSTATION. ARCOLA. 26 OCTOBER. 1928. (Courtesy James Eccleston, Regina)

FIRST COUNTRY ELEVATOR ELECTRIFIED BY MONTREAL ENGINEERING, CARNDUFF, 1928. (Courtesy James Eccleston, Regina)

MONTREAL ENGINEERING CREW PIKING A POLE INTO UPRIGHT POSITION, QU'APPELLE, 13 FEBRUARY, 1929. (Courtesy James Eccleston, Regina) the province except for city systems. Thus when the Commission came into being, most of the profitable and strategic locations were in private hands. This would seriously complicate the Commission's task of establishing itself, encourage the Government to resort to hypocrisy and partly account for the financial losses suffered by the Commission during the depression.

For privately owned companies and to a certain extent for the Commission, much of 1929 was a period of uncertainty and stagnation. Shortly after the power bill came before the House, Montreal Engineering offered to sell out to the Government or enter into various sorts of agreements with it, but no action followed.[16] Then beginning in March, as a result of Gardiner's Moose Jaw edict, they were unable to obtain Power Commission consent to build transmission lines and hence hesitated to purchase additional utilities. The June election, if anything, complicated an already indefinite state of affairs. While Liberals captured the greatest number of seats, they no longer controlled the legislature. Thus no policy decisions were made during the summer. Nor did the Commission, lacking finances, adopt an aggressive expansionist policy.

Before long it became apparent that a coalition of Conservatives, Progressives and Independents would form the new Government but that did not simplify matters. The power policy of the Conservative party, which would dominate the coalition, was nebulous in the extreme. Dr. Anderson, the leader, and some of his followers had stated that the party was committed to public ownership. On the other hand, their election platform read, "We stand for public ownership of power . . . private enterprise has its place in all development schemes."[17] In addition, the party's provincial convention had avoided adopting a definite policy.[18] Thus, though some believed that the new Government would be more favorable toward private enterprise, it was impossible to be sure.

Upon taking office, Premier Anderson met with Thornton and subsequently stated: "The government is, of course, committed to the principle of public ownership. . . . It is my wish to find out exactly what has been done in the past and also to ascertain what we can do in the future, and how best the principle of public ownership may be carried out. We have reason to believe that the Liberal government's power policy was not what it should have been, and we intend to look into the matter thoroughly."[19] A few days later he also met with representatives of the private companies.[20] Here he learned of the work they had done, the investments they had made and the effects of official policy. The firms expressed a willingness either to take over all commitments of the Commission or to cooperate with it to advance the interests of all concerned. In their opinion the provision of adequate electrical service in the province would require a very large investment. Thus they suggested that the territory be divided among themselves and the Commission.[21] Following the meetings the Premier promised that a policy would soon be announced. The decision to be made was whether or not to launch a large power scheme. If a major program was to be undertaken the large towns and important villages held by private companies would have to be obtained for the Commission; if not, such firms would have to be allowed to expand. Justice to the companies, he declared, demanded a quick decision.[22]

Before determining how best to proceed, Anderson seemingly decided to test public opinion. Addressing the Moose Jaw Board of Trade on October 7, he stated that three courses were open to the Government: it could leave the situation as it was, launch a major program by purchasing the private companies or form a cooperative out of the Commission and the companies along the lines followed in establishing Saskatchewan Cooperative Creameries.[23] Dominion Electric found the statement heartening as the Premier seemed to indicate that he preferred the cooperative approach. Under such a scheme stockholders would control affairs through a board of directors.[24] However, the public reaction Anderson was possibly seeking came almost at once. Officials of the United Farmers of Canada (Saskatchewan Section) expressed themselves entirely opposed to any policy except public ownership. Of the cooperative idea they declared: "This latter hybrid of half co-operative and half private interests has been tried out in co-operative creameries and is unsatisfactory. The government should decide one way or the other."[25]

The Premier's response was rapid. In a speech at Prince Albert a few days later, he attacked the former administration:

> The situation that confronted us upon assuming office was that our provincial power commission was practically powerless so far as extension of its operations was concerned. The Gardiner government . . . had apparently no definite power policy and had permitted private power companies to enlarge their operation. The . . . companies had already secured the cream of the power business outside of the large cities of Regina, Saskatoon and Moose Jaw. The companies had built over one thousand miles of high power transmission lines with definite signed permission of the Gardiner government. After encouraging the private companies in this way and making no attempt to discourage them from purchasing the plants of the majority of the large towns and villages of the province, they, in typical Gardiner fashion, reversed themselves immediately before the election, refusing to grant any further permits to erect lines. Emissaries of their political organization went throughout the country announcing that the Gardiner government was the champion of public ownership and that the opposition were secretly in league with the private power companies. Entering upon office . . . the new government had two courses open to it. They have had to decide either to dispense with the services of the power commission and abandon all thought of public ownership of power, or else to map out and enter upon a definite policy of provincial [*sic*] wide power scheme. Such a scheme would involve acquiring the entire holdings of the private companies. . . . The new government has considered the whole question from every angle. Its members were pledged before the election to the principle of public ownership. Representatives of the private power companies have been heard by the

> government as also delegations from various points throughout the province.

With respect to the policy his party would follow Anderson stated: "Under these circumstances, the government has made a decision to continue the power commission and embark on a provincial [*sic*] wide scheme of public ownership. . . . It is the intention of the government to discourage further extension by private companies of high power transmission lines. All such lines will, in future, be built by the power commission. Negotiations will at once be entered upon with the private power companies with a view to bringing all their holdings under a comprehensive provincial scheme of public ownership." Government policy, he declared was "not to fool the people but to decide on something definite."[26]

Anderson's announcement produced immediate reactions on the part of private operators. Dominion Electric, Canadian Utilities and Montreal Engineering decided to refrain from tendering on the Moose Jaw utility pending elaboration of official policy.[27] In addition, they agreed that none of them would approach the Government on any matter without informing the others and that they would adopt tactics designed to weaken the Commission and forestall action by the Province.[28] Apparently as a result of their efforts an Estevan delegation, consisting of representatives of the Town and Board of Trade, appeared before the Government to plead for free and unrestricted development of the coal industry and large scale generation of power at Estevan by the Government or private concerns. In doing so they expressed their preference for private ownership.[29] At the same time the companies obtained resolutions expressing satisfaction with existing conditions from a number of towns they served and forwarded them to the Government.[30] Phillips B. Shaw of Loeb and Shaw, New York supervisors of Dominion Electric operations, considered very important activity designed to shape official policy. In a letter to Schlosser he stated:

> We must exert a positive influence on the government or we will be at the mercy of the public ownership advocates, who have their ear. I feel very strongly on this matter and wish you could get in touch with Yorath and Baxter [of Canadian Utilities and Montreal Engineering] and then advise me definitely just what they are doing if anything. I am also very much disappointed regarding the possibility of our getting some action from the various towns we serve, expressing satisfaction as to the service and the rates. They need not say they are in favor of private ownership, but simply say they are entirely satisfied with the conditions as they exist at the minute. If it will ease their conscience any, they can follow this up by saying that if there are any advantages to be gained by public ownership in the way of rates and service, they would, of course, favor it.[31]

He believed that sitting quietly on the sidelines would be suicide.

Despite Shaw's reservations about getting worthwhile expressions of support from municipalities,[32] the resolution campaign continued and took on a scientific appearance. In a letter to Schlosser in November, C. J. Yorath, President of Canadian Utilities, stated that he had received some resolutions which would be kept until he had a large number. "It is then my intention," he added, "to have copies of these resolutions made, and sent to each individual member of the Government, spreading them over a period so it would have the effect of a 'running fire,' and by this process we would soon change the minds of some of the members . . . or at least make them feel there is no such a demand for Public Ownership in the Province as they now seem to think there is." The companies also considered and may have circulated some subtle propaganda in the newspapers.[33]

How productive of results these efforts were is open to speculation. Before much was done the Government began drafting a new power policy. With regard to forthcoming pronouncements by the Premier, Highways Minister A. C. Stewart assured Schlosser that he was about to "hear a great deal of 'bull.' "[34] At the moment Schlosser was uncertain regarding the meaning of Stewart's comment, but he soon found out. Within a week, Yorath advised him that Professor W. W. Swanson of the University of Saskatchewan was, at the request of the Government, "endeavouring to work out some scheme which would have the color of Public control by the Government, but which will not make the Government take over the properties now operated by Private Companies."[35] The Government was not only seeking a means to renege on its promises but also to fool the people in doing so. This was accomplished in the last six weeks of 1929.

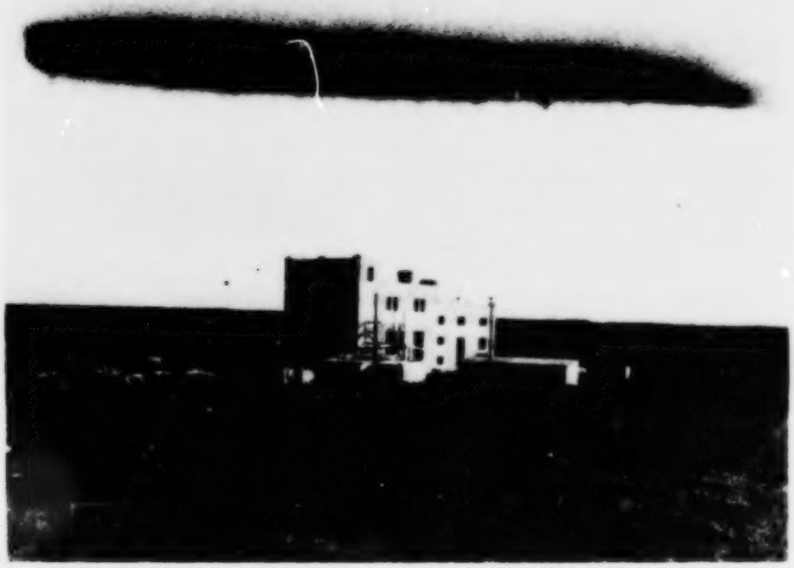
Speaking at an Estevan Conservative Association meeting in late November, Anderson stated that a policy would be developed and submitted to the legislature to provide power at cost under complete public ownership. However, he began to water down the stand he had formerly taken, indicating that the policy would not be applied for some time: ". . . there is no immediate intention of going to these companies and taking over their holdings. But we have told them that we are starting out with the idea of building a great provincial scheme of publicly owned power and if they understand English they must know what we mean by that." Turning to the subject of the plant under construction at Saskatoon, he went on to say that it would be extended and would show that power could be supplied more cheaply by the Government than by any private company. And coming to the Estevan situation, he concluded: "As far as . . . Estevan is concerned, the government will be prepared to allow the present company to extend its present plant to cover certain areas in close proximity to the town or else we will have to build a government plant to meet the demand from outside the town. We will let you know in plenty of time. We shall not hold up development here."[36]

Although Conservative leaders might decide to abandon their original policy declaration, it was another thing to obtain approval of the change. At a caucus shortly after Anderson's jaunt to Estevan the matter was brought up, whereupon Progressive members declared in no uncertain terms that their policy was public ownership and that they expected it to be carried out.[37] As a result, the Government was on the verge of reaffirming publicly its loyalty to public ownership. But, according to Schlosser, "Lignite Jim" Creighton was able to ward off such a declaration. Dr. Creighton succeeded in convincing the cabinet that they would seriously injure their position by advocating a comprehensive scheme without "obtaining more competent advice than they had had heretofore." Evidently he was working hand in glove with the private operators. Schlosser added that should the Government decide to consult an expert, Creighton wanted Dominion Electric "to prepare a series of questions which the Government will require this person to answer and he will in turn give them to the Government as coming from himself."[38]

Informed by Creighton of the attitude of the Progressives, the private operators decided to take additional action. They dispatched representatives to discuss matters with Progressive members residing in towns they served.[39] The object was to convince such M.L.A.'s that their constituents would not benefit from public ownership.[40] Just how productive were these efforts is impossible to determine. However, the companies must have believed them sufficiently rewarding, for the Government soon adopted a new policy.

On December 31 Premier Anderson announced: "It is the intention of the government, through the power commission, to make considerable extensions of power lines throughout the province during the coming year. No transmission lines will be erected except by the power commission. This is a definite policy of the government. The private companies have a number of isolated plants in various parts of the province, principally in the larger towns. It is the intention of the government that the power commission, when necessary in the interests of the government scheme of public ownership, negotiate with the private companies for the purchase of these plants."[41]

Immediately after the announcement Schlosser interviewed Attorney-General MacPherson to obtain details. He learned that his company would be permitted to build the new plant at Estevan, that there was no intention to expropriate the holdings of private operators, and that lines built by the Commission might be rented out. The engineer of Dominion Electric obtained further details from his counterpart in the Commission. S. R. Parker said that the Commission would leave the companies alone in the southern half of the province and as a matter of politics and public policy control all new extensions. In the north it would seek to acquire all towns that could be economically linked with Saskatoon. This would include the Dominion Electric plant at Biggar, the Watrous-Nokomis system of Canadian Utilities and the towns north of Saskatoon. The Commission also intended to build the projected line of Montreal Engineering through Outlook and lines east and west of Melfort.[42] Thus was a power policy finally adopted and the bulk of the properties held by private companies placed beyond reach of the Commission.



New Dominion Electric Power Limited plant at Estevan, 1930. (Saskatchewan Archives)

Analyzing the policy in a letter to Yorath, Schlosser stated: "Their policy is apparently one of conforming to the sentiment which they believe to be strongly in favor of public ownership, and at the same time not plunging the Province into the large expenditure which would be necessary in the case of wholesale expropriation of private holdings."[43] Yorath's reply read in part: "I acknowledge receipt of your letter . . . outlining the policy of the Provincial Government of Saskatchewan, in regard to the development of its supposed Public Ownership scheme of Electric light and power plants. One can hardly conceive of any Government thinking of such a procedure, and it is extraordinary how the public can be 'gulled' in this way."[44]

All in all, the Anderson Government had come a long way in a little over three months in office. Upon assuming control nothing which could be called a genuine power policy existed; now there were two, one for public consumption and one for application. With minor modifications this so-called policy for establishing a province-wide publicly owned power system remained in effect for fifteen years. That the part made public was not changed may have been due, as will be seen, to one of the private companies overplaying its hand.

After the Anderson policy had been in effect for roughly a year, Schlosser described the provincial electrical situation to his New York supervisors. He had recently discussed it with members of both the Liberal and Conservative parties during an Estevan by-election.

> While I did not take a particularly active part in the election I did lend support to the Government Candidate, feeling that it was good business to do so, not only because the present Government has shown much more active co-operation in the development in Estevan than the previous Government, but, primarily for the reason that if the Government should be defeated in this seat that it would not affect their majority in the Legislature and no matter what the outcome would be the present Government would be in power for the next three years and it would be during the next three years that the power policy would be fairly well determined. . . . This By-Election gave me an opportunity to discuss the power situation quite thoroughly with Members of the present Government and also with Mr. Gardiner with whom I became quite well acquainted. Both sides seem to feel that there was something wrong with their respective power policies, if they can be defined by that name, but neither side seems to have settled on anything definite as an alternative. Had the Government won this seat I feel quite certain that they would have been more free in announcing a new policy that would permit development by Private Companies.[45]

That his power policy was not working out should not have surprised Premier Anderson. The course he had chosen assured private operators that they were safe in the south, where they were fairly well established. Members of the Government were naive if they expected the companies to refrain from attempting to mark out other areas for themselves. Besides, the smooth operation of the policy required the companies to sell their isolated plants at such times as the Commission might require them.

Throughout 1930 the Government had tested out its policy. All new lines established during the year were built by the Commission, except for some short extensions in the Estevan area by Dominion Electric. For the most part, that firm, along with Montreal Engineering, remained inactive, probably waiting to see how far the Government was prepared to go with its own scheme. Aside from Dominion Electric commencing construction of a new plant near Estevan, their main attempts at expansion, both of which failed, were confined to the south and involved efforts to obtain the utilities at Weyburn and Swift Current.

Canadian Utilities, on the other hand, pursued a much more aggressive policy, proceeding as if there had been no Government announcement concerning the ownership and operation of transmission lines. This led to a clash with the Power Commission in which Thornton came off second best. Commission plans for 1930 called for taking over the company's isolated plants at Rosetown, Melfort and Foam Lake. Of these, it managed to obtain only the least important, Foam Lake, while its plans for a transmission line from Birch Hills through Melfort to Tisdale were blocked. Indeed, in the course of the year the private firm improved its position in the Prince Albert area. Thornton clearly regarded the outcome of the affair as a serious recession from the expressed policy of the Government.[46] Hence, it was not surprising that both Anderson and Gardiner were dissatisfied with their policies, neither of which took into account occurrences such as the foregoing. On the other hand, perhaps encouraged by this success, the companies soon worked out a plan designed to strengthen their position further.

During the winter of 1930-31 the depression began to influence the thoughts of members of the Government. The belief that the provincial debt was growing too rapidly and that expenditures should be curtailed arose in official circles. Walter Schlosser discussed the development and outlined its significance:

> There has been a growing feeling among the legislators that the province would be well advised if they would zone the activities of the private companies and the Power Commission and place the regulation of both . . . as far as rates and new extensions are concerned in the hands of a utility board. There is a disposition on the part of the Government to leave things alone so far as the present session is concerned, but it has been told that it may be possible to work out something in this line after the session. If this arrangement were to be worked out, the private companies would have to give assurance that they are ready to make capital expenditures necessary to serve new territories if it can be shown that the revenue will give a satisfactory return on the new capital invested. Ordinarily, of course, this would not be a difficult assurance to give, but it has occurred to me that during the next year many of the utility companies would wish to cut their capital expenditure down to the barest necessity.[47]

In reply, Phillips Shaw asserted: "Provided the Government definitely settles on the program of zoning and of letting the private companies go ahead, we certainly would find the money somewhere for any extensions which could be made to yield a fair basis of return. The zoning scheme is surely desirable from our point of view since the Estevan area would doubtless be in our zone, and this is the territory that it is vital for us to protect. Therefore, do not hesitate to do what you can to push the idea along."[48] In the weeks that followed Schlosser applied himself energetically to the project.

In order that it might appear to the Government and the province generally that the demand for a change in power policy did not originate with the private operators, Dominion Electric with its headquarters at Estevan evidently arranged for the Estevan Town Council and Board of Trade to bring up the matter first. During the spring the two bodies drafted almost identical resolutions stating that the Government had no definite power policy. Both recommended the adoption of one which would permit the private companies to construct transmission lines and place the regulation of such extensions, as well as the control of rates, under an independent regulatory body.[49] Simultaneously, the companies worked out proposals to present to the Government. Then, when all was in readiness, the Estevan Council and Board of Trade passed the resolutions and forwarded copies of them to Premier Anderson. In addition, the one passed by the Town was sent to newspapers and to a number of other municipal councils.[50] Councils receiving it were urged to pass similar ones immediately and send them to the Premier and were informed that a meeting between the companies and cabinet would take place the next week. The meeting followed, though the Government was perhaps unaware of what was going on until the last minute.[51]

At the conference the three companies, now joined by National Light and Power, formerly Iowa Southern Utilities, requested the Government to divide the province into zones. They suggested that specific areas be assigned to them with the remainder of the territory being left for the Commission. Schlosser, acting as spokesman, stated that following such a partition property could be exchanged between his firm and the Commission to consolidate their respective holdings. He also indicated extensions which his and the other firms might be prepared to make. In addition, the companies expressed a readiness to give the Commission options on any extensions they built and to have it act as an arbitrator among them with regard to their plans for expansion, as under a zoning plan it would no longer be a competitor. To support their proposals, they emphasized that such an arrangement would help ease unemployment.[52]

The Government reached no decision during the meeting as only a few cabinet members were in the capital. For consideration of such a radical change in policy the presence of all ministers was deemed advisable. From immediate reactions, however, Schlosser believed the cabinet would do as suggested, thanks to the financial difficulties which it faced.[53] But the Government adopted a somewhat different procedure. It decided to retain existing policy and instructed Thornton to find out what lines the companies were prepared to build, when they would begin and how much employment would result, stating that permits might be granted for extensions "in certain specified territory."[54]

After the final cabinet meeting on the question, Schlosser saw Attorney-General MacPherson and wrote regarding their discussion: ". . . they do not feel that it would be a good move for them to definitely announce that they were in favor of zoning the province, but that in as much as they do not have the money to carry out a large program of extensions this year, . . . private companies will be permitted to make extensions in their own territory on application to the government for such permission."[55] From his talk with MacPherson, Schlosser concluded that the cabinet was not unanimous on the matter of extensions.[56] That the decision was not more clear cut, he stated, was "apparently due to the unpopularity of Canadian Utilities with some members of the Cabinet over the Prince Albert-Melfort situation. However, to all practical purposes we can make any extensions that we see fit in our territory."[57]

Schlosser's conclusions turned out to be overly optimistic; private companies made only two extensions the following year. Canadian Utilities obtained permission to build from Prince Albert to Star city, giving the Commission an option on the line, while Dominion Electric was allowed to connect Roche Percee and Taylorton to its Estevan plant.[58] That these were the only extensions undertaken was possibly owing to the position adopted by Thornton. In the absence of a clear-cut policy statement by the Government, he placed a very narrow interpretation on instructions from the minister in charge. Dominion Electric and Montreal Engineering designated a number of extensions that they might be willing to make and requested permission to do so, saying that upon receiving authorization they would make surveys to ascertain exactly which ones would be undertaken. In requesting permission Montreal Engineering stated: "Studies covering the . . . projects will involve considerable negotiations to secure contracts etc. and while we are willing to cooperate to the fullest extent with the Government to carry on this work it would not be desirable unless permission for construction in the areas referred to were first obtained."[59] Thornton would not grant permission on this basis. Rather, he insisted that extensions be shown to be immediately feasible before authorizing them.[60]

In the fall Schlosser stated that activities of the private companies had been held up during the summer and that the Government was rather provoked with "the manner in which . . . Thornton . . . handled this entire matter." More optimistically, however, he predicted that the Government would soon change its policy.[61] This time he was correct. Somewhat later, as the full effects of the depression made themselves felt, it agreed to a zoning arrangement.[62] The concession, however, produced no immediate results, as by then the attention of the companies was concentrated more on survival than expansion. Neither, it appears, was the modification of provincial power policy ever publicly announced.

Insofar as the creation of anything resembling a province-wide integrated power system was concerned, the first year in the life of the Power Commission was significant for one thing: any thought of an immediate major forward step was pretty well relegated to the waste basket. The plan proposed by the Power Resources Commission called for the Government to purchase the plants at Regina, Moose Jaw, Saskatoon, Prince Albert and North Battleford. Integration would then be begun by connecting Regina and Moose Jaw as the nucleus of the southern system and Saskatoon, North Battleford and Prince Albert as the nucleus of the northern system. The scheme for a southern system largely collapsed when Regina decided to retain its utility and Moose Jaw disposed of its to Iowa Southern. The proposal received the *coup de grâce* somewhat later when the Commission blocked plans of Montreal Engineering to connect the two cities.[63]

Of the three northern plants the Commission acquired two. Saskatoon's, as already noted, was obtained by the Government itself in the fall of 1928. North Battleford's facilities were acquired in the spring of 1930 on terms similar to those agreed upon with Saskatoon.[64] Prince Albert, on the other hand, followed Moose Jaw's example and sold its entire system to Canadian Utilities early in 1931. However, failure by the Commission to procure all three plants does not explain the absence of integration in the north; here other considerations were paramount.

In their major study for the Power Resources Commission, Sullivan, Kipp and Chase maintained that there was no warrant for early construction of the transmission line from Saskatoon to Prince Albert and that it was doubtful if the one to North Battleford should be constructed at once.[65] Their additional report on these lines was a study to determine the cost of electrical service to Regina, Moose Jaw, Saskatoon, Prince Albert and North Battleford, based on the assumption that the Government would purchase the five city plants and construct a southern and a northern system. In this case a cheaper type of construction was considered,[66] and generating costs were based on estimates supplied by officials of Regina and Saskatoon. Under these circumstances they concluded that, while it would be cheaper to generate energy in North Battleford and Prince Albert for the first two or three years, service by transmission lines from Saskatoon would be more economical and advantageous due to load growth, possible service to intermediate communities and the larger amount of power made available.[67]

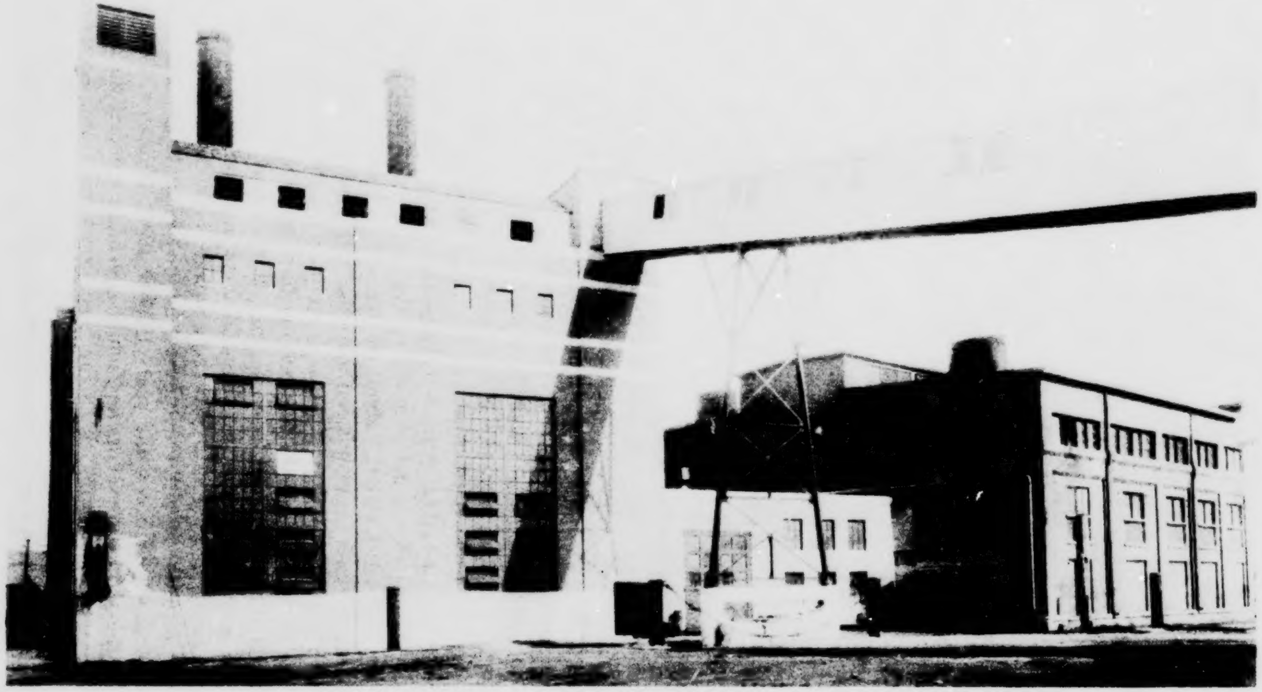
The Power Resources Commissioners subsequently recommended the construction of the lines. However, they may actually have doubted the advisability of building them. Perhaps Thornton believed that the Saskatoon electrical engineer's estimates of generating costs were overly optimistic, for he reinvestigated the North Battleford line shortly after taking over the Power Commission and arrived at the original conclusions of Sullivan, Kipp and Chase. On the other hand, he may simply have decided to make each city the site of a central generating station to improve his chances of getting the plants or to avoid more difficult negotiations.[68] He seems to have promised to make North Battleford the site of a Commission generating station and to extend the plant when he obtained it.[69] In any event, very shortly after the Commission was established he advised the Honorable George Spence: "A transmission line from Saskatoon to North Battleford, which would be of sufficient capacity to supply the power needs of North Battleford, would be comparatively expensive, and not immediately justified, particularly as the district intervening is not likely to make much demand, thereby helping to bear the cost of the pole line."[70] The recommendation for a transmission line to Prince Albert was also scrapped in 1929.[71]

With the disappearance of the three heavy transmission lines from the Power Commission's scheme a very central part of the second set of plans of the Power Resources Commission followed the first and only complete set into limbo. The ideas were brought out at times but for a full generation no attempt was made by the Commission to put them into practice. What remained after plans for a large central station and integration were dropped was what became basic planning for a provincial power system. But without these elements, particularly integration, the Commission's holdings by no means formed an interconnected system. Rather they comprised a number of separate low-voltage systems energized by plants of various sizes or by power purchased from other sources. Each system was but a section of what would be the primary grid of an integrated provincial network. What in fact the Commission did was take Sullivan, Kipp and Chase and stand them on their heads. The latter recommended building an integrated tri-city core and then expanding outwards; what the Commission did was to begin constructing extensions in the hope of some day building the core. This was essentially the same method used by the private companies in establishing themselves. As a result, Saskatchewan was covered by a multitude of systems and isolated plants lacking any overall planning. The "clashing of interests and duplication of expense" of which the Resources Commission warned were the very handicaps incurred by Saskatchewan in meeting her energy needs.

The most important task which the Commission undertook during its first year was the construction of the new Saskatoon plant. Ground was broken in March, and on December 7 the 10,000 kilowatt station went into operation. It also purchased a number of small utilities, the more important being the municipal systems at Humboldt, Wynyard, Rosthern and Shellbrook and the privately owned systems at Leader and Prelate. The Commission had to act at once to obtain these as private companies were negotiating with some of the towns.[72] During the year it erected a new plant at Leader and installed new units at Wynyard, Humboldt and Shellbrook, which were intended to act as peaking or stand-by plants, or as central stations supplying neighboring communities. Only two short transmission lines were built, one between Wynyard and Wadena and the other from Leader to Sceptre. Aside from these projects much of the year was devoted to organizational work and planning for power line extensions.

The following year the Commission directed its attention to transmission line construction and completed an extensive program. It built over 1,000 miles of line to serve ninety-five communities. The bulk of the work involved lines radiating from the Saskatoon plant to such places as Shellbrook, Duck Lake, Humboldt and Radisson, together with one connecting roughly thirty communities between Saskatoon and Moose Jaw. Smaller projects were carried out in other parts of the province. Most of the lines were designed to operate at 13,200 volts, their purpose being to handle the electrical loads of towns and villages.

Quite a few generating stations were also acquired, the most important of which were those at Swift Current and North Battleford. Most of these were shut down but some, because of their locations, were enlarged. At all centres except Saskatoon and North Battleford new generating capacity took the form of diesel units. These were judged to be more efficient than steam equipment for installations of limited size and could be used as peaking stations and for stand-by if and when high-voltage transmission



New Saskatchewan Power Commission generating station at Saskatoon with plant acquired from the City on right, 5 March, 1930. (S.P.C. Photo Collection) lines were constructed. The Commission also took options on other plants, and built and rented systems to a couple of municipalities. In all communities except Swift Current and North Battleford it acquired ownership of or built the distribution systems and contracted to sell power direct to consumers. These cities, like Saskatoon, sold only their power plants, preferring to purchase energy in bulk at cost for resale to their citizens. As a rule price paid for property acquired was the fair actual value and not less than outstanding debts.[73]

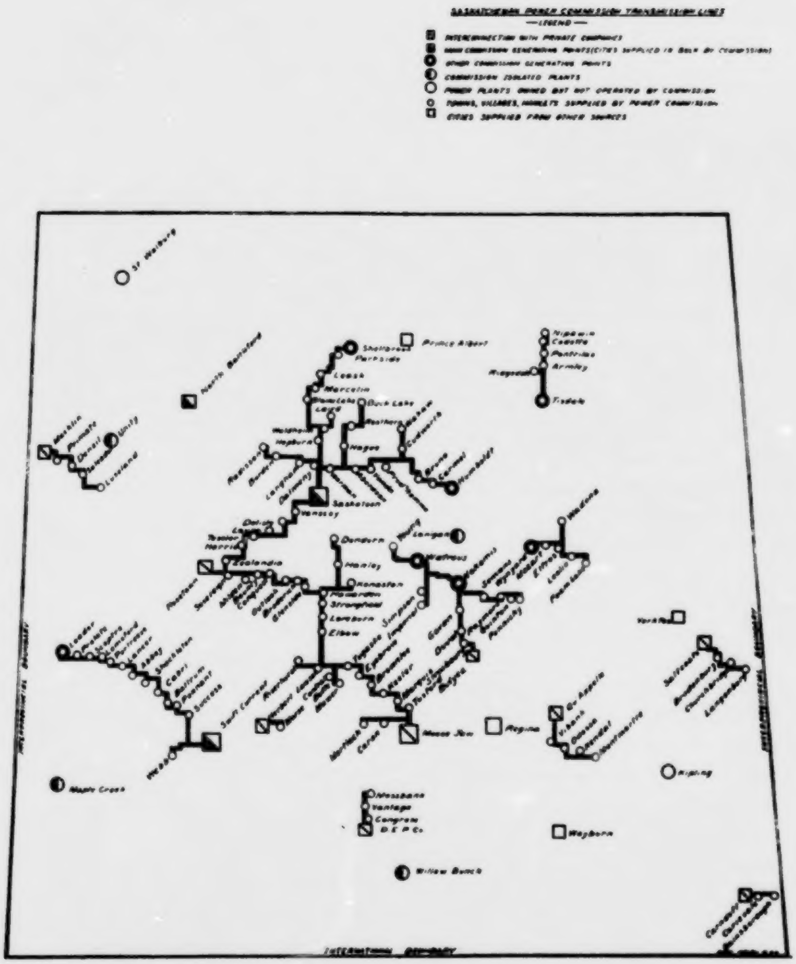
Commission planning for 1931 called for a slowdown in construction coupled with consolidation. Appropriations for 1930 had been $3,000,000. For 1931 Thornton requested $2,500,000, part of which was to be used to construct an additional 600 miles of transmission lines. Early in the year the Government decided the full amount could not be provided and slashed the sum to $1,000,000.[74] By the end of May, however, the financial effects of the world depression were much more apparent to the cabinet. Thus, it instructed Thornton to make no further commitments for capital expenditures for a month.[75] During the weeks which followed the Government vacillated between refusing and authorizing the Commission to go ahead with projects on which it had more or less committed itself. Then in late August the blow fell; planned projects were cancelled. With the remaining funds available for the use of the Power Commission it was decided to purchase the Canadian Utilities Watrous-Nokomis system in the belief that it might never again be possible to do so on as favorable terms.[76]

Owing to the depression the Commission built only about fifty miles of line in 1931 and purchased approximately twice that much. Altogether it added eleven communities to its transmission system while acquiring the existing utilities at a few isolated locations. At the end of the year it owned and operated 1,321 miles of line and served 120 urban centres. Electricity was supplied by its thirteen generating stations and purchased in varying amounts from the privately owned companies. In the process of consolidating and improving its holdings during the year, it connected the Leader system to Swift Current, rebuilt or extended a number of distribution systems, increased transmission line reliability, and installed new equipment in a number of plants. As well, it connected the Watrous-Nokomis system with the Montreal Engineering transmission system in order to obtain additional energy from Regina. Plans called for connecting the system with Saskatoon, but financial conditions resulted in the other course being adopted as it involved a smaller immediate cash outlay.[77]

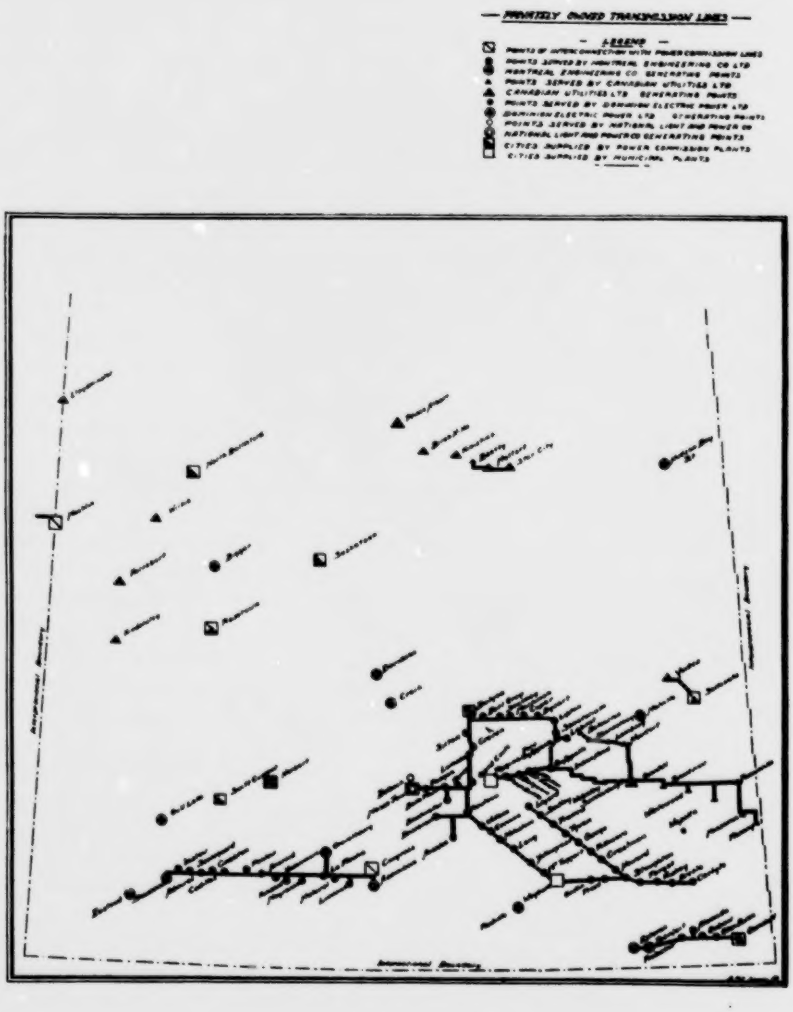
In accordance with Government policy Saskatchewan got its public ownership showpiece in the years 1929 to 1931. Though not completed before the depression set in, the Commission had connected the systems in a number of communities to the Saskatoon plant and acquired the Watrous-Nokomis system. That the companies were not left completely alone in their areas was due to a number of factors. First, the Commission wanted to secure control of communities near provincial boundaries. It feared that if private firms succeeded in expanding across borders the courts might consider them interprovincial for purposes of regulation. In this manner control over them might pass to the Federal Government, complicating the carrying out of Commission planning. Secondly, the Leader, Prelate and Sceptre facilities were obtained to pre-empt the area and block plans of Dominion Electric before the Anderson policy was adopted. Hence, it was natural to connect them with Swift Current when that city decided to join the Commission. The Commission's Qu'Appelle-Montmartre system had been planned by Montreal Engineering and was turned over to the Government along with the projected Saskatoon-Moose-Jaw line, so the Commission was obliged to build it.

Other acquisitions by the Commission in the south appear to have resulted either from no one else wanting them or from political considerations. When the Commission took an option at Willow Bunch, for example, Schlosser wrote: "A line from Assiniboia to Willow Bunch would not be particularly profitable, and it might be just as well from our standpoint to have the Government build these lines."[78] The Commission soon purchased the Willow Bunch utility and for the next fifteen years operated it as an isolated system. Politics were clearly evident in connection with Morse. Dominion Electric had purchased the Herbert system and built a plant there large enough to serve Morse as well. However, before the company succeeded in joining the towns, Government policy intervened to prevent the extension.[79] After the adoption of the Anderson policy the company was advised that it could build the line, but somewhat later Thornton had a change of heart and proposed building one from Swift Current to Morse. When asked for an explanation, Thornton stated that such a course would probably be made necessary by political pressure coming from the towns of Waldeck and Rush Lake.[80] In the end, the Commission built the line from Herbert to Morse and bought power from Dominion Electric.[81] On the whole, the Commission's attitude toward the south appears to have been passive.[82]

Due to the multitude of timid decisions concerning the power question made by the Gardiner and Anderson Governments, the Power Commission was denied the solid base on which to build that economic considerations indicated it should have. Most of the benefits which Sullivan, Kipp and Chase claimed were obtainable through an integrated power system were thus denied to electrical consumers. More than that, competition or pseudo-competition for plants between the private operators divided the province into a number of areas where one or another of them predominated. The addition of the Power Commission in 1929 and Iowa Southern Utilities in 1930 further splintered the field. This type of division was extremely detrimental to orderly expansion in the electrical field, but to make matters worse most of the areas were small because the properties controlled by each group were more or less scattered among those of the others. Thus no organization succeeded or could succeed in carrying out its


SASKATCHEWAN POWER COMMISSION TRANSMISSION LINES
—LEGEND—
INTERCONNECTION WITH PRIVATE COMPANIES
MAIN COMMISSION GENERATING POINTS (CITIES SUPPLIED IN BULK BY COMMISSION)
OTHER COMMISSION GENERATING POINTS
COMMISSION ISOLATED PLANTS
POWER PLANTS OWNED BUT NOT OPERATED BY COMMISSION
TOWNS, VILLAGES, HAMLETS SUPPLIED BY POWER COMMISSION
CITIES SUPPLIED FROM OTHER SOURCES
St Walburg
North Battleford
Unity
Prince Albert
Shellbrook
Parkside
Leask
Marcelin
Duck Lake
Hepburn
Nipawin
Armley
Tisdale
Saskatoon
Vanscoy
Dundurn
Hanley
Kenaston
Strongfield
Loreburn
Elbow
Lanigan
Watrous
Wadena
Yorkton
Moose Jaw
Regina
Kipling
Weyburn
Willow Bunch
Maple Creek
D.E.P.Co.
INTERNATIONAL BOUNDARY
INTERPROVINCIAL BOUNDARY

Map 2. Saskatchewan Power Commission Transmission Lines, 1931. (Courtesy S.P.C.)


PRIVATELY OWNED TRANSMISSION LINES
LEGEND
POINTS OF INTERCONNECTION WITH POWER COMMISSION LINES
POINTS SERVED BY MONTREAL ENGINEERING CO LTD
MONTREAL ENGINEERING CO GENERATING POINTS
POINTS SERVED BY CANADIAN UTILITIES LTD
CANADIAN UTILITIES LTD GENERATING POINTS
POINTS SERVED BY DOMINION ELECTRIC POWER LTD
DOMINION ELECTRIC POWER LTD GENERATING POINTS
POINTS SERVED BY NATIONAL LIGHT AND POWER CO
NATIONAL LIGHT AND POWER CO GENERATING POINTS
CITIES SUPPLIED BY POWER COMMISSION PLANTS
CITIES SUPPLIED BY MUNICIPAL PLANTS
Saskatoon
International Boundary

Map 3. Privately Owned Transmission Lines, 1931. (Courtesy S.P.C.)

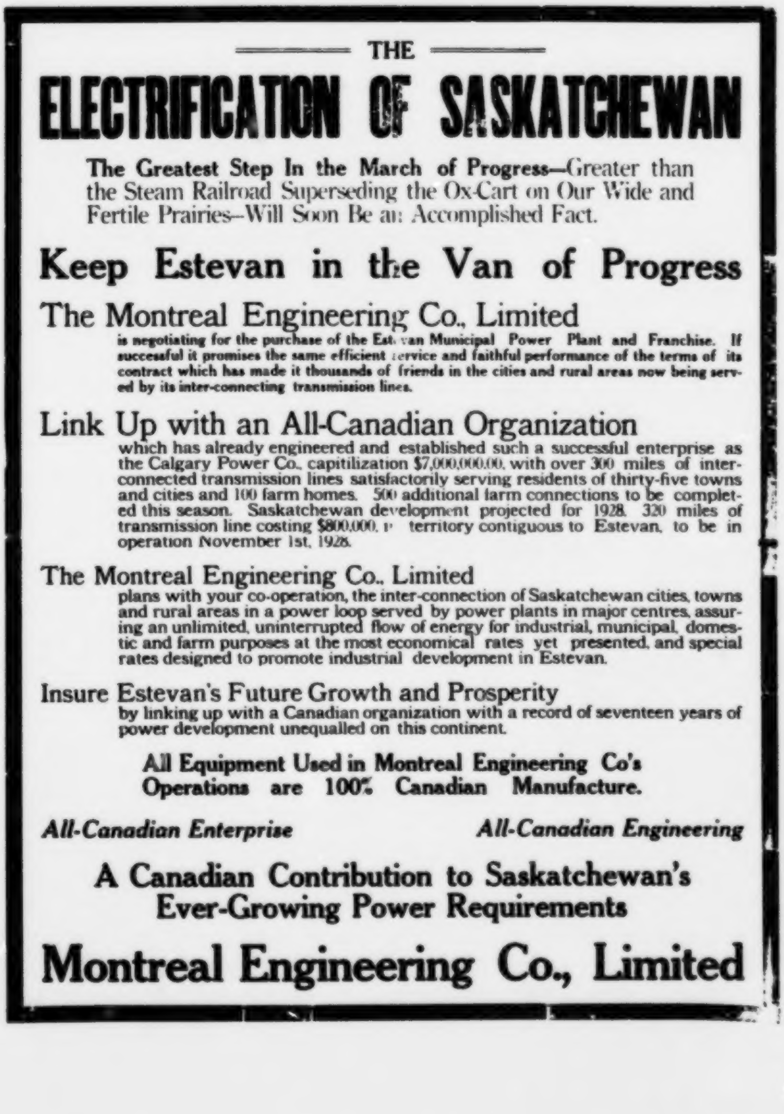
plan of development without major changes in the ownership of properties, changes which proved difficult, in fact impossible, to arrange.

Division of the province's utilities among a number of owners forestalled desirable connections which would have been made had the properties been parts of a single organization. Simultaneously, development was crudely strangled. Government policy temporarily placed an iron curtain around the lignite fields of the southeast, retarding their development. Coal was hauled to Moose Jaw to generate power which was transmitted back to within forty miles of the mines. The restrictive transmission line policy of the Gardiner and Anderson Governments would have been reasonably proper if they had intended to have the Commission expand throughout the province, but its application in the south made little sense. Here it merely acted as a shield behind which to hide contradictory policies.

Competition for electrical systems had another ill effect. Municipal officials quite often were led to believe that their particular community had a more important utility than it actually had. All too often agents for private companies, and even the Power Commission, encouraged such pretensions. The result was that many a community of a thousand or more inhabitants pictured itself as the site of a moderate sized generating station serving adjacent territory. This led to some ridiculous results, the best examples of which were seen at Melville, Yorkton and Canora. Rather than joining their interests and attempting to work out a deal with a single organization, as was suggested, each sold to a different one. As a result, the Canora and Melville plants continued to serve only the towns themselves while that of Yorkton supplied power to only four additional small communities.[83] What was to be a great step forward amounted to standing still. In all justice, the Power Resources Commission must shoulder a great deal of the responsibility for the encouragement of such a system and its continuation for a couple of decades. In stating their conclusions the Commissioners placed their stamp of approval on the idea that for some time to come the cheapest power would not be generated in large central plants but in the major cities. It was a simple matter for smaller cities and towns to apply the belief to themselves. As a consequence serious consideration of an integrated power system declined; such a system seems to have been considered impractical by many municipal officials.

In the process of creating chaos in the utility field, politicians not only weakened the Power Commission they were pledged to support but gave its competitors a victory over it. The next step by private companies was to launch an offensive having as one of its purposes the destruction of the Commission. Before going into that, however, it is desirable to examine certain objectives and methods of the companies and the Commission in order that the implications of the two alternative means of meeting the province's power requirements may be better understood.

In their efforts to acquire plants promoters, for the most part, appear to have claimed that there were five advantages accruing to communities



THE

ELECTRIFICATION OF SASKATCHEWAN

The Greatest Step In the March of Progress—Greater than the Steam Railroad Superseding the Ox-Cart on Our Wide and Fertile Prairies—Will Soon Be an Accomplished Fact.

Keep Estevan in the Van of Progress

The Montreal Engineering Co., Limited

is negotiating for the purchase of the Estevan Municipal Power Plant and Franchise. If successful it promises the same efficient service and faithful performance of the terms of its contract which has made it thousands of friends in the cities and rural areas now being served by its inter-connecting transmission lines.

Link Up with an All-Canadian Organization

which has already engineered and established such a successful enterprise as the Calgary Power Co., capitilization $7,000,000.00, with over 300 miles of inter-connected transmission lines satisfactorily serving residents of thirty-five towns and cities and 100 farm homes. 500 additional farm connections to be completed this season. Saskatchewan development projected for 1928. 320 miles of transmission line costing $800,000, in territory contiguous to Estevan, to be in operation November 1st, 1928.

The Montreal Engineering Co., Limited

plans with your co-operation, the inter-connection of Saskatchewan cities, towns and rural areas in a power loop served by power plants in major centres, assuring an unlimited, uninterrupted flow of energy for industrial, municipal, domestic and farm purposes at the most economical rates yet presented, and special rates designed to promote industrial development in Estevan.

Insure Estevan's Future Growth and Prosperity

by linking up with a Canadian organization with a record of seventeen years of power development unequalled on this continent.

All Equipment Used in Montreal Engineering Co's Operations are 100% Canadian Manufacture.

All-Canadian Enterprise ***All-Canadian Engineering***

A Canadian Contribution to Saskatchewan's Ever-Growing Power Requirements

Montreal Engineering Co., Limited

Montreal Engineering ad appearing in *The Mercury*, 29 March, 1928. The firm was seeking to purchase the Estevan utility. (Courtesy *The Mercury*) from private operation. First, they alleged that private operation was better as checks on expenditures were of an economic nature rather than political as in the case of public operation. Such a form of operation also encouraged individual initiative, produced better morale and facilitated continuity of responsibility. Secondly, private concerns paid taxes whereas governments did not. Thirdly, they claimed that their rates were favorable. Fourthly, they said a community received benefits from the receipt of their price for a utility, rather than the lower price offered by the Commission. And fifthly, they stated that sale to a private firm resulted in improvements being made in local electrical facilities.[84] While it is impossible to discuss the first point in a work of this scope, impossible to dispute the second and unnecessary to deal with the fifth since both the companies and the Commission improved the systems they acquired, a few comments are in order on all points save the first and the last.

In regard to prices paid for plants, the companies frequently asserted that they were high because they were competitive. This was only partly true. At first there was very little competition, as the whole province was one big happy hunting ground. This was followed by a period of competition and then one of competition mixed with agreements not to compete. The latter type of arrangement appears to have been worked out at times to include Montreal Engineering, Dominion Electric and Canadian Utilities. As a result of such agreements Montreal Engineering and Dominion Electric gave Canadian Utilities a free hand in Melfort. A similar agreement was made to clear the way for Dominion Electric at Humboldt. Dominion Electric and Canadian Utilities agreed not to compete with each other in Prince Albert and Swift Current, while Montreal Engineering and Dominion Electric attempted to work out an understanding covering Swift Current and Weyburn.[85]

The foregoing must not be taken to mean that none of the towns received high prices for their utilities. Some of them certainly did. Assiniboia, for instance, received $120,000 for its system which represented an investment of only $55,000.[86] On the basis of price alone the deal appeared very profitable, and the town may have gained through it. But a community which profited in this manner suffered losses in other ways. In a letter to Walter Schlosser, E. W. Bowness, of Canadian Utilities stated: "I have always taken the attitude in dealing with Councils on rate questions that not only such matters as location, population, taxes paid, etc. have a bearing on rates but also the price paid to the municipality should be considered." At the same time he added that if a community received a particularly high price it "would have more difficulty in getting rate reductions than others."[87] In addition, the rate schedule a community received was also determined by the minimum charge applied: the higher the minimum charge, the lower the rate per kilowatt-hour.[88]

While such rate setting procedures seem quite justifiable, others scarcely were. Indications are that some of the companies attempted to charge all the traffic would bear. In a letter to Schlosser, P. B. Shaw stated: "Loeb [Shaw's partner] will undoubtedly write you about rates for the towns adjacent to our high line. They should be about as high as Thornton's costs would be in isolated plants in these towns including fixed charges — high enough."[89] In other words the actual cost to the company of serving the communities was not to be the basic consideration; on the contrary, the towns were to be denied benefits resulting from the use of transmission lines. This stipulation probably applied to Assiniboia.

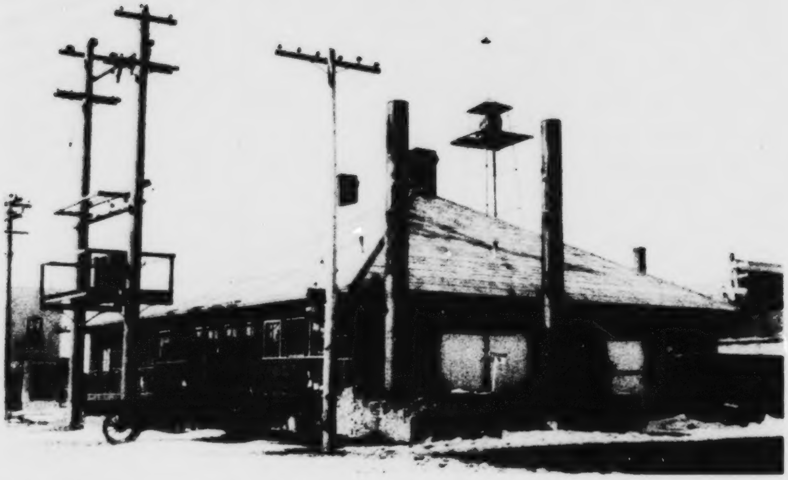
Not only were rates fixed at a high level in such instances, but some of the companies seem to have conspired to keep them there. An example of this was Biggar. Early in the depression, the town's franchise with Dominion Electric was due to expire. Council took the position that because of financial conditions consumers should be granted a rate reduction, a concession which the company opposed.[90] Knowing that the Commission could not afford to take over, Schlosser requested the aid of Canadian Utilities, which he believed would be invited to tender on the franchise. Stating that he did not believe Canadian Utilities would be interested, he informed that company how it could assist him:

> I do not believe that it would be of any particular benefit to quote a schedule of rates that are higher than the ones we would offer, but you might state that you would appreciate the folly of trying to quote lower rates in Biggar than we would be prepared to give the Town because of our already having an investment in Biggar to give the people service. You might point out also that uncertainty of Biggar's future, because of the uncertainty of the continuance of the smaller division points on the Canadian National Railways, would make it an unsatisfactory place to venture a large amount of capital at this time.[91]

Bowness replied that he would do as requested and added: "If you have any other suggestions as to just how you would like us to write them, you might drop me another line."[92] The town appears to have settled for an adjustment in the cost of street lighting.

All in all, the records of Dominion Electric suggest that it and firms which operated like it were much more concerned with confining their activities to the most profitable areas in order to maximize returns on investments rather than with building an adequate power system with which to supply the province's electrical requirements. Such a primary concern was scarcely in accord with the Government's expressed desire to develop the province's resources to the greatest possible extent and to best advantage.

The objectives and methods of the Commission as publicly stated were different. Its object was to supply power at or near cost to as much of the population as possible. Its method was to attempt to obtain the cooperation of communities concerned so as to establish a system bearing low capital costs. These were fine ideals but they can scarcely be used to contrast the Commission with private operators. Indeed, evidence suggests that in certain respects the two were much alike.



OXBOW POWER PLANT, 1929. The plant had been shut down, Montreal Engineering having commenced providing service by transmission line. (Courtesy James Eccleston, Regina)

To begin with, the rates the Commission set for communities were influenced by the prices paid to municipalities for their electrical systems.[93] Secondly, though the Commission stated publicly that as far as prices paid were concerned it would not compete with the companies for plants, in at least one instance it was definitely but not openly prepared to do so.[94] Thirdly, though the Commission attempted to provide service at or near cost, its rates cannot be described as consistently more favorable than those of the companies. On the contrary, it would appear that in this respect Montreal Engineering led the field. It alone established a fairly low uniform rate no doubt designed to encourage consumption.[95] Lastly, indications are that the Commission, like the companies, attempted to confine operations to the better parts of the province. In view of such evidence it would be difficult to argue that either private ownership or public ownership of electrical utilities was most beneficial to Saskatchewan. Indeed, insofar as the real interests of Saskatchewan at the time were concerned, though few if any citizens recognized it, the issue should not have been public versus private ownership at all but whether or not an organization was attempting to establish an integrated power system in the province.

When principles of ownership are put aside and the various organizations are examined on their individual merits, comparisons become easier. The Montreal Engineering Company then stands out as a ray of light against the otherwise drab landscape which characterized electrical developments in the province during the infancy of the Commission. The company's rate schedules have already been dealt with, as has its planning, together with the fact that it alone among the various organizations constructed any line capable of moving energy in quantity. It obviously built or planned to build for the future as well as the present. Indications are that Montreal Engineering was also the only company which firmly opposed establishing small generating stations. Unlike the other organizations it built none, while closing down about twenty-five. It plainly intended to build a large plant capable of producing low cost power and until doing so contracted to purchase energy from the plants at Regina, Moose Jaw, Weyburn and Estevan.

In other respects, too, Montreal Engineering's performance appears superior to that of the other organizations. The company built or intended to build lines into which power could flow from two or more sources in order to possess a reliable system.[96] And finally, one gathers it attempted to establish a system with low capital costs, probably with a view to keeping down electric rates and encouraging consumption.[97] Evidence indicates that only in the case of Weyburn did the company outbid all competitors for an electrical utility. But that city was essential to the firm if it were to possess a fairly strong base from which to operate. The fact that Weyburn chose to retain its plant was a crippling blow to the company, according to Walter Schlosser.[98] In a sense it is not surprising that comparisons should suggest that Montreal Engineering adopted the most business-like approach to establishing a power system in Saskatchewan. As already pointed out, it was an engineering firm, specializing in constructing electrical systems. From all appearances, Montreal Engineering knew its business and it was to demonstrate further that such was the case within a very few years.

Footnotes to Chapter IV
"A GREAT DEAL OF 'BULL' "

[1] W. H. Schlosser to E. W. Bowness, 29 December, 1932, D.E.P. No. 175.

[2] *The Morning Leader* (Regina), 12 December, 1927; Estevan Council Minutes, 24 April, 1927, 23 January, 1928.

[3] *The Morning Leader* (Regina), 3 October, 1928; W. H. Schlosser to E. W. Bowness, 29 December, 1932, D.E.P. No. 175.

[4] *The Morning Leader* (Regina), 31 March, 1928; *The Yorkton Enterprise*, 13 September, 1927. Mid-West Utilities was prepared to pay a much higher price for the Yorkton utility.

[5] Files 7151, 7179, 7234 and 7253, Department of the Provincial Secretary, Registrar of Companies.

[6] W. H. Schlosser to E. W. Bowness, 29 December, 1932, D.E.P. No. 175.

[7] Albert Emanuel Co. Inc. to F. D. Reid, 26 February, 1928, D.E.P. No. 150.

[8] *Ibid.*

[9] L.G.B., *Annual Report*, 1929, pp. 18-22.

[10] W. H. Schlosser to E. W. Bowness, 29 December, 1932, D.E.P. No. 175; *The Morning Leader* (Regina), 18 August, 1928.

[11] The Prairie Power Company was eventually established.

[12] At one stage the firm announced that it would build a $750,000 plant near Estevan. See *The Morning Leader* (Regina), 30 December, 1928. The company also announced letting contracts for construction of lines from Estevan to Carnduff, Lampman to Radville, Estevan to Moose Jaw along the Soo line, Weyburn to Estevan via Benson, Moose Jaw to Qu'Appelle via Regina and north to Fort Qu'Appelle, and from Kronau to Carlyle. See *ibid.*, 7 April, 1928. Not all of these lines were built, probably due to the company's failure to secure the Estevan, Bienfait and Weyburn franchises and to provincial regulations. The firm's plans for lines from Moose Jaw to Saskatoon via Outlook, and to connect Moose Jaw and Mortlach and Qu'Appelle and Montmartre, were taken over and carried out by the Commission. See memo of meeting between Thornton, Premier Anderson and other provincial officials, 5 June, 1930, S.P.C., Canadian Utilities Limited, General, May 1930 to December 1940.

[13] See *The Morning Leader* (Regina), 13 December, 1927. The Regina - Qu'Appelle line could be raised to that voltage and probably the one from Moose Jaw to Grand Coulee as well.

[14] *Ibid.*, 31 March, 1928.

[15] Montreal Engineering, Canadian Utilities and Dominion Electric to Premier Anderson, 27 September, 1929, D.E.P. No. 157.

[16] *The Regina Daily Post*, 29 December, 1928, in R. L. & I. No. 101.

[17] *The Western Producer* (Saskatoon), 30 May, 1929.

[18] *The Morning Leader* (Regina), 16 March, 1928.

[19] *The Western Producer* (Saskatoon), 19 September, 1929.

[20] *Regina Daily Star*, 24 September, 1929, in R. L. & I. No. 101.

[21] Montreal Engineering, Canadian Utilities and Dominion Electric to Premier Anderson, 27 September, 1929, D.E.P. No. 157.

[22] *The Morning Leader* (Regina), 28 September, 1929; *The Western Producer* (Saskatoon), 3 October, 1929.

[23] James C. Chestnut to E. S. Russenholt, 7 October, 1929, D.E.P. No. 157; *The Morning Leader* (Regina), 8 October, 1929.

[24] J. C. Chestnut to Loeb and Shaw, 28 October, 1929, D.E.P. No. 157.

[25] *Regina Daily Post*, 9 October, 1929, in *ibid.*

[26] *The Morning Leader* (Regina), 15 October, 1929, in S.P.C., Government Provincial, Power Policy No. 1.

[27] Moose Jaw Council Minutes, 21 October, 1929; Telegram C. J. Yorath, President Canadian Utilities, to P. B. Shaw, 21 October, 1929, J. C. Chestnut to D. Craven, 21 October, 1929, D.E.P. No. 171.

[28] C. J. Yorath to W. H. Schlosser, 29 November, 1929, D.E.P. No. 157.

[29] W. H. Schlosser to J. C. Chestnut, 15 October, 1929, J. C. Chestnut to Loeb and Shaw, 31 October, 1929, *ibid.*

[30] Unsigned to P. B. Shaw, 17 November, 1929, D.E.P. No. 216. File No. 156 contains a copy of the Saltcoats resolution dated November 4, 1929.

[31] P. B. Shaw to W. H. Schlosser, 15 November, 1929, D.E.P. No. 157.

[32] Shaw's disappointment probably stemmed from a resolution passed by the Town of Herbert. It requested the Government to authorize Shaw's firm to build from Morse to Herbert, but ended by stating that it would be preferable to "have the plant at Herbert taken over by the Government and have the line built by the Power Commission." Unsigned to P. B. Shaw, 11 November, 1929, D.E.P. No. 216.

[33] C. J. Yorath to W. H. Schlosser, 26 November, 1929, D.E.P. No. 157; also see reply, 26 November, 1929, *ibid.*

[34] Unsigned (obviously W. H. Schlosser) to P. B. Shaw, 17 November, 1929, D.E.P. No. 216.

[35] C. J. Yorath to W. H. Schlosser, 23 November, 1929, D.E.P. No. 157.

[36] *The Morning Leader* (Regina), 20 November, 1929.

[37] W. H. Schlosser to C. J. Yorath, 21 November, 1929, D.E.P. No. 157.

[38] W. H. Schlosser to P. B. Shaw, 22 November, 1929, D.E.P. No. 216. Creighton's reference to the competence of Government advisers applied to the Power Resources Commission. He had stated in the House that the Commissioners were good men but not competent to recommend what should be done to produce power from Estevan coal. He advised the Government to get experts from Germany or Australia. See *The Moose Jaw Evening Times*, 29 February, 1928, in S.S.H. Vol. 42.

[39] W. H. Schlosser to C. J. Yorath, 4 December, 1929, D.E.P. No. 157.

[40] C. J. Yorath to W. H. Schlosser, 23 November, 1929, *ibid.*

[41] *The Morning Leader* (Regina), 2 January, 1930.

[42] W. H. Schlosser to Loeb and Shaw, 31 December, 1929, Telegram, same, 31 December, 1929, D.E.P. No. 216; W. H. Schlosser to C. J. Yorath, 31 December, 1929, D.E.P. No. 157.

[43] W. H. Schlosser to C. J. Yorath, 31 December, 1929, D.E.P. No. 157.

[44] C. J. Yorath to W. H. Schlosser, 2 January, 1930, D.E.P. No. 158.

[45] W. H. Schlosser to P. B. Shaw, 27 December, 1930, D.E.P. No. 217.

[46] Thornton to J. A. Merkley, 30 September, 1930, S.P.C., Tisdale, Town No. 1.

[47] W. H. Schlosser to P. B. Shaw, 23 February, 1931, D.E.P. No. 218.

[48] P. B. Shaw to W. H. Schlosser, 4 March, 1931, *ibid.*

[49] W. H. Schlosser to D. Bannatyne, 6 April, 1931, W. H. Schlosser to Geo. Calvert, 14 April, 1931, Estevan Board of Trade to Premier Anderson, 15 May, 1931, D. Bannatyne to W. H. Schlosser, 23 May, 1931, D.E.P. No. 159.

[50] Estevan Board of Trade to Premier Anderson, 15 May, 1931, D. Bannatyne to W. H. Schlosser, 23 May, 1931, D.E.P. No. 159; *Leader-Post* (Regina), and *The Regina Star*, 26 May, 1931 and Thornton to Premier Anderson, 15 June, 1931, in S.P.C., Government Provincial, Power Policy No. 1.

[51] Thornton to Premier Anderson, 15 June, 1931, S.P.C. Government Provincial, Power Policy No. 1.

[52] Memo by Thornton, 28 May, 1931, *ibid.*

[53] W. H. Schlosser to P. B. Shaw, 29 May, 1931, D.E.P. No. 218.

[54] J. A. Merkley to Thornton, 1 June, 1931, S.P.C. Government Provincial, Power Policy No. 1.

[55] W. H. Schlosser to R. T. Smalley, 4 June, 1931, D.E.P. No. 212.

[56] W. H. Schlosser to E. W. Bowness, 4 June, 1931, D.E.P. No. 159.

[57] W. H. Schlosser to R. T. Smalley, 4 June, 1931, D.E.P. No. 212.

[58] S.P.C. *Annual Reports*, 1931, p. 4, 1932, p. 5.

[59] H. Forbes-Roberts to Thornton, 6 June, 1931, also see W. H. Schlosser to Thornton, 5 June, 1931, S.P.C., Government Provincial, Power Policy No. 1.

[60] Thornton to W. H. Schlosser, 7 August, 1931, *ibid.*

[61] W. H. Schlosser to R. T. Smalley, 14 September, 1931, D.E.P. No. 212.

[62] Interview with M. A. MacPherson, 1 September, 1964.

[63] *The Leader-Post* (Regina), 16 May, 1931, in S.P.C. Government Provincial, Power Policy No. 1. The company had built Moose Jaw to Grand Coulee, eleven miles west of Regina.

[64] North Battleford was interested in the Commission's plan almost at once, and as soon as the Commission was established invited Thornton to the city. See North Battleford Council Minutes, 19 November, 1928, 7 January, 1929. The city hoped that under the Commission it would become the generating centre for north-western Saskatchewan. See *The Morning Leader* (Regina), 17 May, 1930, *The Western Producer* (Saskatoon), 26 December, 1929. The North Battleford agreement differed slightly from that with Saskatoon because its plant was part of the city's central heating system. Unlike Saskatoon, the city also paid administration charges at once.

[65] SKC Report, p. 109.

[66] Costs were $2,500 compared to $3,346 per mile for transmission lines.

[67] W. G. Chase to R. N. Blackburn, 15 June, 1928, S.P.C., Power Development, General.

[68] Costs of production at North Battleford were 3.913 cents per kilowatt-hour in 1929, 4.117 in 1930 and 3.4 in 1934 whereas Sullivan, Kipp and Chase estimated that power could be sold to North Battleford at 2.5 cents per kilowatt-hour for the years 1930 to 1935 inclusive if generated in Saskatoon. See R. Haward, accountant, to Thornton, 8 December, 1930, Thornton to W. C. Rowland, 22 October, 1934, S.P.C., North Battleford, Power Plant Operating Costs No. 1; Sullivan, Kipp and Chase, "Cost Study of Electric Service to Regina, Moose Jaw, Saskatoon, Prince Albert and Battleford from Central Stations at Regina and Saskatoon," 6 June, 1928, p. 5.

[69] Memo by Thornton, 10 June, 1932, S.P.C., Finance and Accounting, Capital Budget No. 2.

[70] Thornton to Geo. Spence, 13 March, 1929, S.P.C., North Battleford, Town No. 1. Somewhat later Thornton said it would be preferable to expand the North Battleford plant rather than build a connection with Saskatoon in the near future. In doing so he indicated that the plant would operate even though interconnection might take place. See Thornton to Mayor J. A. Gregory, 15 August, 1932, S.P.C., North Battleford, Power Plant Operating Costs No. 1.

[71] S. R. Parker to Thornton, 5 October, 1929, S.P.C. Shellbrook, Town No. 1. Parker stated that a trunk feeder line Saskatoon to Prince Albert was not warranted for five years.

[72] Albert Emanuel Co. to F. D. Reid, 26 February, 1928, D.E.P. No. 150; Thornton to Geo. Spence, 12 February, 1935, Gardiner Papers, Saskatchewan Power Commission, February 12—June 10, 1935.

[73] S.P.C. *Annual Report*, 1930, pp. 5-10.

[74] Memo by Thornton, 3 January, 1931, Thornton to J. A. Merkley, 11 February, 1931, S.P.C., Finance and Accounting, Capital Budget No. 1.

[75] J. A. Merkley to Thornton, 1 June, 1931, *ibid.*

[76] Thornton to Merkley, 7 August, 1931, reply, 10 August, 1931, Memo by Thornton, 28 August, 1931, J. A. Merkley to Thornton, 29 August, 1931, *ibid.* Construction of lines from Grandora to Perdue, Humboldt to Watson and Tisdale to Valparaiso was cancelled.

[77] S.P.C. *Annual Report*, 1931, p. 5.

[78] W. H. Schlosser to P. B. Shaw, 12 August, 1930, D.E.P. No. 217.

[79] J. C. Chestnut to Loeb and Shaw, 15 November, 1929, D.E.P. No. 157.

[80] W. H. Schlosser to P. B. Shaw, 29 August, 1930, D.E.P. No. 217.

[81] In the opinion of Dominion Electric a line from Swift Current to Morse could not be justified economically. See P. B. Shaw to W. H. Schlosser, 25 August, 1930, *ibid.*

[82] When the question of acquiring the Maple Creek plant arose in the summer of 1930, engineer Parker advised Thornton that the Commission "would not be interested unless we got an invitation from the town and even then, would not be interested if the matter were thrown open to public tenders." See S. R. Parker to Thornton, 25 August, 1930, S.P.C., Maple Creek Power Plant No. 1.

[83] *The Morning Leader* (Regina), 11 January, 1928; *The Canora Courier*, 26 January, 1928; *The Yorkton Enterprise*, 20 January, 1928.

[84] "Outline of Advantages to Local Communities of Private Ownership and Operation of Electric Utilities Compared With Political Ownership and Operation," D.E.P. No. 156. These claims appeared in connection with a number of sales.

[85] P. B. Shaw to J. C. Chestnut, 3 April, 1929, J. C. Chestnut to P. B. Shaw, 9 May, 1929, P. B. Shaw to Jim, undated, D.E.P. No. 216; C. J. Yorath to W. H. Schlosser, 13 February, 1930, reply, 15 February, 1930, D.E.P. No. 175; W. H. Schlosser to P. B. Shaw, 10 March, 1930, same, 1 and 6 May, 1930, Telegram, P. B. Shaw to W. H. Schlosser, 24 [April, 1930], D.E.P. No. 217.

[86] *The Morning Leader* (Regina), 19 April, 1928.

[87] E. W. Bowness to W. H. Schlosser, 21 April, 1933, also see reply, 24 April, 1933, D.E.P. No. 175.

[88] J. C. Chestnut to Phillips B. Shaw, 19 May, 1929, D.E.P. No. 216.

[89] P. B. Shaw to W. H. Schlosser, undated, [1930], D.E.P. No. 217.

[90] Town of Biggar to Town Clerk, Gravelbourg, 19 November, 1932, "Old Correspondence," Town of Biggar Records, also see Biggar Town Council Minutes, 14 November, 1932.

[91] W. H. Schlosser to E. W. Bowness, 2 February, 1933, D.E.P. No. 175.

[92] E. W. Bowness to W. H. Schlosser, 4 February, 1933, *ibid.*

[93] Memo by Thornton, 5 June, 1930, S.P.C., Canadian Utilities, General, May 1930—December 1946. Here Thornton referred to a number of lines and stated that if the Commission had to pay higher than anticipated prices for plants, the communities concerned would be asked to pay higher rates.

[94] The Commission was prepared to raise its bid on the Prince Albert plant by $75,000. See T. C. Davis to Thornton, 28 November, 1930, reply, 2 January, 1931, "strictly private and confidential," S.P.C., Prince Albert, Town No. 2.

[95] Montreal Engineering apparently applied a fairly uniform rate structure with a high of ten cents and a low of three and one-third cents per kilowatt-hour to all domestic customers and another ranging from ten cents to five cents per kilowatt-hour to all commercial customers. See franchise agreements in S.P.C. Town Files, Rouleau, Milestone, Lang, Francis, Fillmore, Heward and Arcola. The firm offered the same rates to Estevan and Humboldt. See *The Journal* (Humboldt), 4 July, 1929, *The Mercury* (Estevan), 29 March, 1928.

Dominion Electric gave Estevan slightly lower rates, Assiniboia somewhat higher rates and offered Humboldt significantly higher rates. See *The Morning Leader* (Regina), 19 April, 1928, *The Journal* (Humboldt), 4 July, 1929, *The Mercury* (Estevan), 29 March, 1928. Dominion Electric established higher rates at Radville while its rates at Eastend ranged from a high of eighteen to a low of ten cents per kilowatt-hour. See franchise agreements in S.P.C. Town Files, Radville and Eastend. The rates offered to Moosomin by Northern Light and Power ranged from eighteen to twelve cents per kilowatt-hour. See W. H. Schlosser to Mayor and Council, 8 June, 1927, S.P.C. Moosomin, Town No. 1.

Canadian Utilities rates appear to have been high in most cases. See franchise agreements in S.P.C. Town Files, Duval and Strasbourg; J. A. Whitlock to Thornton, 12 March, 1929, S.P.C., Rosetown, Town No. 1; Memo of Local Government Board, 10 February, 1928, L.G.B. File, Watrous, 1926-1933; Mid-West Utilities Franchise, 26 August, 1926, S.P.C. Kindersley, Town No. 1; *The Saskatchewan Valley News* (Rosthern), 27 October, 1927, in S.P.C., Rosthern, Town No. 1. Indeed, Canadian Utilities rates for domestic and commercial customers in the city of Yorkton appear to have been only slightly better than those established by Montreal Engineering in towns. See franchise agreement in *Statutes of the Province of Saskatchewan*, 1928-1929, Ch. 89.

Power Commission rates at Humboldt, Tisdale and possibly a few other places were approximately equal to those of Montreal Engineering. See *The Journal* (Humboldt), 4, July, 1929 and franchise agreement, S.P.C., Tisdale, Town No. 1. Elsewhere Commission rates were higher. See S.P.C. Town Files, Bruno, Carmel, Vonda, Prud'homme, Leader and Prelate.

[96] One of its lines ran east from Regina then north, west and south, eventually connecting with the Moose Jaw plant. The company also planned to join Grand Coulee and Regina and build a line from Moose Jaw to Saskatoon via Outlook. Its line from Moose Jaw to Weyburn connected the two plants and its proposed line from Qu'Appelle to Montmartre, which was taken over by the Commission, would have almost completed a loop joining Regina, Moose

Jaw and Weyburn. The company also indicated that it might build from Stoughton to Lampman via Benson. Such a line would have enabled the firm by completing an additional short extension to connect all its properties into a single system and to transmit power from the Souris coal fields to the Weyburn-Regina-Moose Jaw area. Largely because of the strategic value of this line Thornton recommended that the Government not permit the company to build it. See map p. 14B, S.P.C. *Annual Report*, 1930; Memo by Thornton, 5 June, 1930, S.P.C., Canadian Utilities, General, May 1930 - December 1940; H. Forbes-Roberts to Thornton, 6 June, 1931, and Thornton to J. A. Merkley, 12 June, 1931, S.P.C., Government Provincial, Power Policy No. 1.

[97] When the Power Commission bill was before the legislature, J. T. Warren, general manager of the firm, claimed that the company had not paid fancy prices for the systems it had acquired. See *The Morning Leader* (Regina), 30 December, 1928.

[98] W. H. Schlosser to P. B. Shaw, 10 March, 1930, D.E.P. No. 217.

Chapter Five

DEPRESSION, STAGNATION AND INDECISION

The period from late 1931 to the mid-forties was one of great difficulty for Saskatchewan electrical utilities. First came depression, then war. One produced financial setbacks, the other hindered efforts to recoup losses sustained. Rather than being a time of expansion for utility organizations, these years were highlighted by renewed attempts by private operators to confine or eliminate the Commission and by schemes which if effected would have radically altered the whole situation. For a second, then a third time the prospect of integrating electrical facilities arose but was snuffed out. The period ended with the Government, the Commission and the private companies being criticized for policies, attitudes or actions.

Throughout the depression the Commission received practically no funds for expansion. At the same time the deficit on its operations steadily mounted. During 1932, 1933 and 1934 its total revenue declined annually and did not recover to the 1931 level until 1937. The number of kilowatt-hours generated in its plants also reflected the changed conditions. Indeed, for a time even the number of customers it served actually decreased. The late thirties brought improved economic conditions to the province. But before a really marked change for the better occurred, war broke out in Europe, resulting in restrictions being placed on the use of material and manpower. Thus, even though money became more readily available, the Commission made little progress. As a consequence, many of its hopes and accomplishments during these years can be summed up in a few paragraphs.

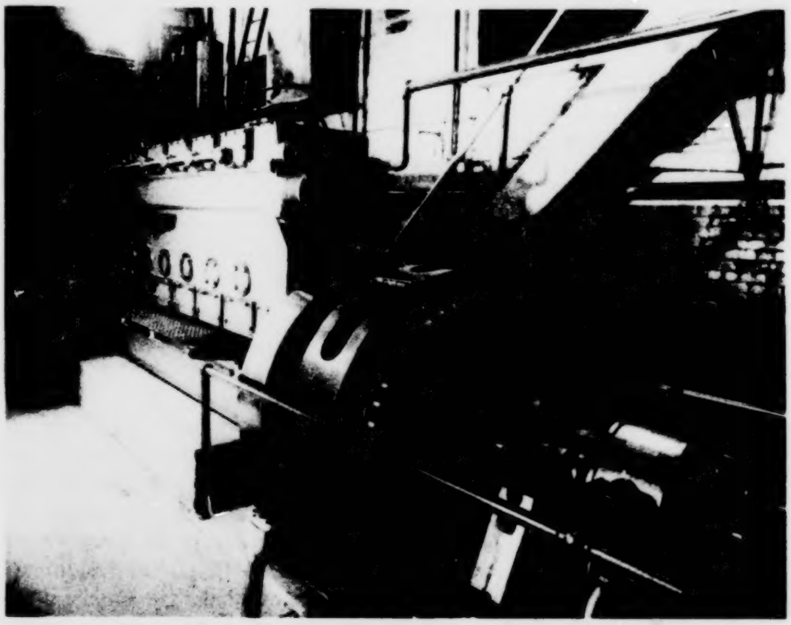
Just as the effects of the depression began to be felt, the Commission made a major study of provincial hydroelectric potentialities. During 1930 private interests approached the Government seeking permission to develop the Saskatchewan River near Fort à la Corne. The Government did not see fit to grant the request; but as a result of it the Commission retained H. G. Acres and Company of Niagara Falls, an engineering firm, to make a thorough study of the proposed site. Upon completion of their investigation the following year, the consultants concluded that it would be possible to construct a dam which would permit the installation of 125,000 horsepower capacity, sufficient to meet all demands of the province until 1944.[1] Such a project, they said, was both "physically and economically feasible, and more particularly so as a public enterprise."[2] In addition, they went on to say, " . . . in view of the virgin state of hydro-electric power development and distribution in . . . Saskatchewan, the project . . . has more than ordinary significance. This project, consummated under public auspices, and considered in conjunction with the various ancillary developments to which it would give birth, would exercise a profound influence on the social and economic life of the Province as a whole."[3]

Acres and Company estimated that the scheme would cost approximately $19,000,000, two-thirds of which would be required for the dam and powerhouse and the balance for transmission lines and transformer stations to serve Regina, Moose Jaw, Saskatoon, and Prince Albert.[4] Owing to changes in economic conditions which took place between the inception of the study and its completion, the project was shelved almost immediately.[5] However, it seems to have been ever present in Thornton's planning throughout the balance of his time as Commissioner.

Insofar as actual expansion was concerned, in 1933 the Commission built three short transmission line extensions, primarily to use up stocks of material on hand.[6] Three years later, at the request of the municipality, it took over the Canora electrical utility. The community was having difficulties collecting accounts, had a generating unit on order but could not pay for it, and so turned to Thornton.[7] The following year, partly because of political considerations, it added four communities in the Carrot River Valley to its Tisdale system.[8] Then, in 1938, when conditions appeared more hopeful, Thornton drew up a list of lines which he proposed to build and submitted it to the Honorable J. W. Estey, minister in charge of the Commission. The program included roughly a dozen extensions to be undertaken on a priority basis in the next five to seven years. According to Thornton, Estey was agreeable to "having some progress arranged each year in a moderate way, with the idea that in a few years' time the additions would represent a worth-while increase . . . without creating a serious financial problem in any one year."[9] Thornton sought approval to build five of the lines that year but was authorized to proceed with only one, for which a good deal of material acquired in 1931 was available. The Commission made no progress the following year as no funds were made available to it. Then, in 1940, largely influenced by the outbreak of war, the Government authorized construction of a line from Saskatoon to the Watrous-Nokomis system via Dundurn.[10] While the war was in progress the Commission took over only three additional isolated plants. From 1941 until 1944, when wartime restrictions were relaxed, all its construction projects involved service to army or airforce installations.

During the same period only limited expansion took place at Commission power plants. In the middle of the depression it installed a 1,500 kilowatt steam turbine at North Battleford and, just before the outbreak of hostilities, it augmented the boiler capacity of the Saskatoon plant. Two years later it ordered a 15,000 kilowatt turbine, which could not be obtained until 1946, for Saskatoon. Consequently, it installed a smaller, second-hand unit, bought from the Winnipeg Electric Company, to supplement existing equipment. During the war years it added diesel units totalling roughly 3,000 horsepower to plants at a half dozen locations to meet military demands for power or increasing consumption by other customers. At the same time, it raised the voltage of several lines from 13,800 to 24,000 volts, and in at least one instance to 33,000 volts, to permit the transmission of greater amounts of energy.[11]

"Get out of the power business." "Throw away these socialistic ideas." These words, uttered by Norman McLeod in debating the budget of the new Liberal Government in 1935, may well have signalled a renewed attack on official power policy and the Power Commission. In a lengthy speech the Liberal member from Bromhead charged the Commission with obstructing development by the private electric companies, with stifling the lignite industry and with losing money in doing so.[12] In the days which followed McLeod received material on the financial position of the Com-



A 400 horsepower Dominion Crossley diesel engine in Swift Current plant, 1942. ((S.P.C. Photo Collection) mission from Schlosser. Indeed, it is possible that Schlosser even wrote a speech on the power question for delivery by McLeod in the legislature.[13] During the first half of February between forty and fifty questions, designed to embarrass the Commission and give publicity to the financial losses it was suffering, were also asked in the House by McLeod or by William Ross and John Mildenberger, Liberals from Moose Jaw and Maple Creek respectively.[14] At the same time the private companies pursued various schemes designed to free themselves from remaining restrictions, consolidate their positions and destroy the Commission.

In the fall of 1934, after the Anderson Government had been annihilated at the polls, the private companies began discussing various plans for consolidation. In October representatives of Montreal Engineering approached Thornton with regard to trading certain properties. Thornton agreed to consider the matter and believed that economies might be produced by certain rearrangements in ownership.[15] Sporadic discussions on the subject, however, led to only one concrete proposal. Canadian Utilities offered to exchange two isolated plants for the Commission's Tisdale and Saltcoats transmission systems which served nine communities.[16] Upon examination, Thornton concluded that the proposition was "all in favor of the Company" and designed more to consolidate its position than to produce economies. In addition, he believed such an exchange "would be viewed by the public at large as a recession . . . from the policy of a public ownership plan."[17] When he presented his conclusions to the cabinet the ministers sustained them.[18] Though Thornton's analysis of Canadian Utilities' offer was likely correct, there was something to be said for the company's arguments. E. W. Bowness, vice-president of the firm, maintained that the existing situation was "a direct contradiction to the principle we all preach of interconnected systems being served from a central plant which can give the service cheapest."[19]

Canadian Utilities very much wanted the Tisdale system. According to Thornton, shortly after the proposed exchange was rejected, the firm informed the cabinet that "they were really going to take off their gloves and go after us at Tisdale. . . ."[20] The company thus made a cash offer for the system the next year and, in order to put pressure on the Commission and the Government to accept, promised service to some communities in the vicinity.[21] By doing so the firm secured a fair amount of regional support for a change in the ownership of the line. As a result Thornton and the cabinet reassessed the situation late in 1937 and again decided against disposing of the property. However, they were forced to take action. Thornton and Spence, the latter again minister in charge, toured the area and promised to build some extensions. Consequently, the Commission strung lines to Arborfield, Aylsham and Zenon Park that fall and another to White Fox the following spring.[22] An interesting sidelight on the affair appeared in a letter from Thornton to the town clerk at Tisdale. In it Thornton spoke of the disadvantages of transmission line service, in an effort to discredit Canadian Utilities' proposal to bring in energy from Prince Albert.[23] This was scarcely the method to be used in creating confidence in a province-wide network of lines which the Commission was created to construct.

During the mid-thirties proposals for changes in the ownership of the private companies' properties also received attention. In the winter of 1934-35 Canadian Utilities negotiated with a view to selling its holdings in Alberta and Saskatchewan to Calgary Power. This would have brought the property of Montreal Engineering and Canadian Utilities in Saskatchewan under a single owner.[24] Somewhat later Canadian Utilities took an option on National Light and Power but failed to exercise it.[25] At about the time the option expired Dominion Electric considered purchasing both National Light and Power and Canadian Utilities' holdings east of Regina. Six months later a Winnipeg concern representing British capital thought of consolidating the properties along similar lines.[26] But the greatest plan of all during these years, and one probably related to some of the others, was a proposal for a transmission system connecting the province's three major cities and implying the ultimate destruction of the Power Commission. It was unquestionably the most significant proposal put forward during the decade as it would have created the integrated tri-city core recommended by Sullivan, Kipp and Chase and implied in the Acres report, and have laid the foundations for a modern power system, though under private ownership.

The beginnings of the scheme can be seen in 1933. That year Calgary Power had surplus energy available in Alberta following completion of certain hydroelectric projects. As a means of utilizing the surplus, it proposed to build a line and bring a sizeable block of energy to Saskatoon. As a condition of its doing so, the firm wanted authority to retail power in communities enroute, except for North Battleford and Saskatoon, and control of the Saskatoon plant either through purchase or lease. In making the proposal Calgary Power suggested that the Commission purchase energy from it during part of the year for delivery to Regina, bringing nearer construction of a trunk line connecting Saskatoon, Regina and Moose Jaw.[27] Nothing came of the proposal, possibly because Saskatoon's power requirements were increasing very slowly.

Renewed interest in a somewhat different form of the plan appeared late in 1935. Regina required more electricity and had to raise over half a million dollars for a new turbo-generator. When the matter was put before the burgesses they sanctioned the expenditure by only a small margin. According to Schlosser, there was considerable opposition to the outlay, while the aldermen elected that fall were not fully in favor of it.[28] Presumably, because of this, private operators determined to seek to sell power to the City.

Meanwhile, the Regina Council decided to have Thornton investigate the state of its power plant. But Thornton refused, stating that it would be difficult for him to be impartial since companies were preparing to negotiate with the municipality. Upon receipt of Thornton's reply Mayor Ellison asserted: "That of course, brings to an end any hope we had of a really impartial expert survey of the plant," and Council went on record as "not being interested in proposals of any private company."[29]

In spite of the position adopted by the Regina Council, Dominion Electric and Montreal Engineering worked out offers to bring power to the city from Estevan and Alberta respectively, mutually agreeing, it would seem, that should one of them be successful in obtaining the favor of the municipality, the other would assist in carrying out the resulting project. For example, if Dominion Electric's proposal was accepted, the company would be permitted to utilize Montreal Engineering transmission lines south of Regina. At the same time an understanding may have been reached with National Light and Power of Moose Jaw to bring that firm into any resulting scheme.[30]

On April 16, 1936 the companies presented their plans to the Regina Council. Briefly, Dominion Electric offered to add a 10,000 kilowatt unit to its Estevan plant and supply the city with a block of power ranging from 8,000 to 10,000 kilowatts. In the process, Estevan, Weyburn, Moose Jaw and Regina would be interconnected, with an extension to Saskatoon being built later. Montreal Engineering, on the other hand, proposed to build a line from Calgary Power in Alberta to Saskatoon and then on to Moose Jaw and Regina, which would make 25,000 kilowatts available to Regina and remove any necessity for expanding the local plant. Power Commission engineer Parker's initial reactions to the schemes were that the first was economically unsound while the second was unsound both from the economic and engineering points of view, largely because of the sums of money the companies proposed to expend in setting up their systems.[31] However, on the receipt of more information from Montreal Engineering, he changed his opinion of that firm's offer. He then concluded that it offered a definite saving to Regina and stated: ". . . it is difficult to see how Mr. Bull [Superintendent of Regina Light and Power] will be able to do anything else but give this proposal the most favorable consideration and study and it now looks as if the Montreal Engineering Co. proposal as submitted cannot be ignored and a most interesting situation is developing." Parker believed that the savings to Saskatoon would be even more substantial and that "the only fly in the ointment would be in the grade of protection to the service given under the interconnection arrangement proposed."[32]

On receipt of the proposals, Council turned them over to Bull for study and, in a few days, received a "tentative report" on their merits. The report contained a short cost analysis comparing company and city operation but was by no means complete and, in fact, devoted much space to an essentially irrelevant discussion of Ontario Hydro and to statements implying that transmission line service was of questionable reliability. More than that, it based predicted costs of city operation on the doubtful assumption that, since a local plant would give more security of service, such a plant for purposes of comparison should be charged with only half the capital outlay made in extending it. In conclusion he stated: "Considering both proposals there does not appear to be any course revealed whereby the City can save any considerable sum of money and at the same time assure an adequate power supply."[33]

Each company received a copy of Bull's report. In rebutting it, Dominion Electric declared that it was simply a tentative report and that, if all the additional fixed charges occasioned by installation of new equipment at Regina were taken into account, their offer would show some economies. In addition, the firm argued that other advantages would also accrue to the City and the province generally.[34]

Montreal Engineering made a much more detailed criticism of Bull's findings, asserting that he had apparently failed to grasp fundamental points in his "extremely hurried analysis." In this regard the company pointed out that the purpose of his report was to discuss definite plans for the provision of power in Regina, rather than to make comparisons with results obtained elsewhere under very different conditions. As well, his predictions and methods of comparing future costs were brought into question, Montreal Engineering claiming that the city load was just within the capacity of the most efficient turbine and that increasing loads would be accompanied by increasing costs. In reference to Bull's predicted costs, the Rouge Electric Plant of the Ford Motor Company, a 200,000 kilowatt steam plant, stated to be of the most advanced design, was cited. Its production costs were said to be fifteen percent higher than those predicted by Bull, in spite of the fact that the Regina plant was producing only one-eighth as much energy. Montreal Engineering continued:

> If Mr. Bull's estimate is correct, the Ford Company could have built themselves eight plants similar to that projected by Mr. Bull and could have saved themselves some $700,000 per year. . . . The comparison of these operating results suggests that the City should in its own interests pursue its investigations further to make sure that it is not deceiving itself as to the possible cost of its generation in the future. . . . The value of our proposal to Regina citizens is based on the fact that interconnecting cities and towns together by means of transmission lines, and pooling their present generating capacities with available waterpower energy, an electricity supply can be provided for some time in the future at approximately the same cost as at present. . . . There is, therefore, no reason for individual steam plant extensions involving large sums of money at the present time. Waste does not make a people wealthy. A combination of steam and hydro production, which is carried out in other parts of Canada is a logical solution for our problem here. We would suggest a more complete study be undertaken of the scheme outlined in our proposal and a discussion with other cities in the province that would be interested as well.[35]

Upon being supplied with all the necessary data, S. R. Parker of the Commission carefully analyzed the proposals, leaning over backwards to be fair to Bull. Yet concerning the latter's predictions he concluded: ". . . I contend that the figures set up for the trend of the Regina operating costs for the next 16 years are most optimistic and even on this optimistic basis they do not compare entirely favorably with the offer of Montreal Engineering Company which can be definitely established over the whole period. . . ." With respect to Bull's method of assessing capital charges against the Regina plant he added: "The major assumption that Mr. Bull makes that he is entitled to charge half his carrying charges on new capital investments as a bonus on the presumed more reliable service that it will be possible to give under these conditions is a debatable point and I think should not be overly stressed against the general interests of a tri-city interconnection and a pooling of resources which will eventually have to come in the interests of the general electrical development of the Province." Parker closed his analysis of Montreal Engineering's proposal thus:

> There seems to be no question that the situation can be taken care of with possibly slight profits to the city, which should compensate for the slight possibilities of increased interruption, which are reasonably negligible if the Regina plant is always kept floating, which appears necessary for voltage regulation, . . . the Saskatoon situation would be subject to more interruption or curtailed service but the profits accruing to the City at that point would be larger and, therefore, the interruptions would arouse less criticism. Further, the postponement of capital expenditures at this time on existing type equipment will allow both situations to take advantage of any improvements on boiler plant and efficiencies due to modifications in existing design or due to completely new design principles. . . .

In addition, Parker warned that a major expenditure on the Regina plant would wipe out all benefits which could be produced by a tri-city interconnection for fifteen years and probably prevent hydro developments in the province which might otherwise become possible.[36] Thus, the decision of the Regina Council was one of far-reaching consequence, not only for the city but for the entire province.

With E. W. Bull's tentative report and the rebuttals of the two firms before it, Council disposed of the matter in short order. Immediately after its members had examined the documents, Bull evidently set out to alarm them, stating that unless steps were taken at once to improve existing equipment at the plant a power shortage would occur each year from October to April. When the matter was thrown open to discussion, Aldermen Fines and Toothill moved that the letters be filed and the companies informed that their proposals would not be accepted. First to speak on the question was Clarence Fines, an individual who eight years later would take over the direction of the Province's finances. According to the press, his contribution toward solving the energy problems facing the city was to state: "I am convinced we cannot play around with private companies." Alderman Menzies' comments were scarcely more enlightening. It appears he was familiar with Blackburn's Appendix No. 6 in the Power

Resources Commission report, being under the impression that all economies in generating power at Estevan had to be made by savings on freight charges. The only bright spot in the discussion came when Alderman J. H. Taylor and Mayor A. C. Ellison entered the debate. They unsuccessfully attempted to obtain an amendment to the motion rejecting the companies' proposals, authorizing the city commissioners to draw up a list of experts who could advise Council on the condition of its power plant and probable trends in electrical development in the province.[37]

In commenting on Council's handling of the affair, *The Daily Star* accused the aldermen of not acting in the city's best interests: "The treatment handed out to both concerns was curt even to the verge of discourtesy." Only Ellison and Taylor came in for praise. After pointing out that there appeared to be a lack of understanding of the local problem in Council, since it had passed a bylaw authorizing an expenditure of $600,000 and now proposed to spend only $300,000, the editor rapped the administration for not consulting an expert: "The main point . . . is that the City Council turned down both plans, aldermen frankly admitting that they were incompetent to deal with the question because of their lack of technical knowledge. But that was the very reason why the advice of an expert should have been obtained. . . . It is obvious that some of the aldermen were influenced by the shibboleth of 'public ownership'. . . ."[38]

Thus, without receiving anything like the consideration due them and on the basis of inadequate information, the proposals were rejected. While it is true that it might not have been possible to put either of them into practice, as much negotiating would still have had to take place, that fact cannot excuse the Regina Councillors for failure to face up to their responsibilities to the people of Regina and to the province of which they were citizens. All in all, it was merely another example, and there were many, of the inability of municipal officials to deal effectively with questions relating to the electrical utilities. In this manner the second attempt to establish the core of an integrated power system collapsed and with it went the benefits of such a scheme. Without realizing it, citizens continued to pay for an inefficient multiplicity of power plants. At the same time a threat to the Commission was removed. But who among advocates of public ownership could rejoice to see their principle safeguarded at such cost?

A month later Mayor Ellison called on Thornton. He pointed out that addition of a unit would give Regina surplus capacity for some time to come, a fact which caused hesitation about installing it. He wanted to know if an outlet might be found for the extra energy and wondered if there was any possibility of discussing a tri-city interconnection of Saskatoon, Moose Jaw, and Regina![39] The Mayor was probably speaking largely for himself. Thornton informed him that the Commission had always thought in terms of such a system. Indeed, Thornton recorded his response as follows: "It was the recommendation of our Power Resources Commission, and . . . the only thing which had prevented . . . an earlier completion of some such arrangement was the depression of the last five or six years."[40] No doubt Thornton was thinking of the conferences of May 1928 and believed that a tri-city system was desirable. However, Commission inaction during the preceding month suggests that he had become as much concerned with "shibboleths" as with meeting provincial electrical needs in the most economical manner.

After waiting in vain roughly a year for some favorable reaction to its offer, Montreal Engineering approached the Commission for permission to extend from Alberta to Saskatoon. In February 1937, it offered either of two plans to Thornton: it would purchase the Saskatoon plant or lease it for a period of fifteen years during which it would sell power to the City and the Commission in bulk. By integrating the Saskatoon plant with hydro plants in Alberta, the firm estimated that it could save Saskatoon $50,000 to $60,000 per year and furnish power more cheaply to Commission transmission lines which, it maintained, were "at present supplied somewhat expensively by isolated generating plants." Claiming that the proposed arrangement could improve the position of the Commission without any major expenditures on its part and that the system could easily be extended to Regina, Montreal Engineering asserted: "In general, our idea in providing a main source of steam and hydro power with the greatest economy practicable is to co-operate with yourselves and with any of the other systems operating in the province in every way that may appear to be of mutual advantage."[41]

To interest the Government in its proposals the company sent a copy of them to Premier Patterson. In an accompanying letter it declared: "This general principle of interconnecting plants and systems, as you doubtless know, is well established in other parts of this country, in the United States, and in Europe. Saskatchewan has lagged behind, largely due to the distances separating the centres of generation and consumption. It now appears the logical step to proceed with a reasonable amount of interconnection rather than to persist in the pyramiding of a number of isolated plants."[42]

Upon analyzing the offer Parker recommended that the Commission study it fully to see if some agreement could be worked out.[43] Shortly thereafter Montreal Engineering made some changes in its proposed rate schedule, whereupon Parker advised Thornton that expenditures of about $300,000 in the next three years and $100,000 a short time later would enable the Commission to equal or better the offer. The changes in the proposal, he claimed, made it questionable if it was attractive enough to warrant his organization sacrificing its freedom of action.[44]

In less than a month the company submitted a draft agreement. Rates were again modified and other conditions included. Each of the company's proposals, Parker alleged, reduced the savings to the Commission, the last one appearing "to be set up in such a way as to render its rejection a foregone conclusion thus withdrawing the Company gracefully from the

. . . situation."[45] Among conditions requested was permission to build lines from Alberta to Regina and Moose Jaw via Saskatoon, to join together Dominion Electric and Canadian Utilities holdings, to connect the Commission's Qu'Appelle line with its own Lajord line, to connect Nokomis, Lanigan and Humboldt and the Commission's Nokomis and Wynyard systems "provided the Commission itself does not wish to do so."[46] In short, the company proposed to join together almost all provincial electrical facilities. Parker wrote that the condition "could be summed up most pithily by the remark we are selling our birthright for a mess of pottage."[47]

In explaining the Commission's decision to reject the offer to Spence, Thornton alleged that it did not contain sufficient advantages to warrant departure from original plans for a publicly owned system. In addition, the line would be interprovincial and might affect provincial control over Saskatchewan utilities, while Alberta might restrict the export of power in the future. Finally, Thornton claimed that its acceptance would postpone any possibility of a hydro project at Fort à la Corne for at least seventeen years.[48] In this fashion the last concrete proposal for integration during the thirties, the last chance for major developments in the provincial electrical field for a decade, and the last effort to eliminate the Commission passed into obscurity, although the companies did not altogether give up the idea.

"MISS VIVIAN," A SWALLOW AIRPLANE, PILOTED BY CHARLES SKINNER OF REGINA, TAKING ON FUEL NEAR OXBOW, 7 MARCH, 1936. The plane had been hired a few days earlier by Prairie Power (Montreal Engineering) to conduct an aerial inspection of its power lines. Line inspector on the flights was Ernie Dickenson, Prairie Power superintendent. The operation may well have been the first of its type in Saskatchewan (Courtesy James Eccleston, Regina)

When the proposals of Montreal Engineering were not implemented, it brought nearer the time the Commission would have to make improvements to its Saskatoon plant. Schlosser believed that neither the City nor the Province was in a position to finance the large expenditure which would be needed to increase its capacity. "This," he stated, "may give the Calgary Power Company [Montreal Engineering] an opportunity to go in with their power line from Alberta, and if Saskatoon were taken out of the Commission's hands there would not be a great deal of use in their retaining the rest of the property."[49]

During the summer of 1937, Leo Loeb of Dominion Electric's New York office went so far as to discuss the purchase of the Power Commission with Premier Patterson. Correspondence suggests that Loeb concluded the moment was inopportune. There would be a provincial election the following year. As well, sale by the Province would be inadvisable unless a general adjustment of its finances took place simultaneously. The Commission, by postponing expenditures for maintenance work on its facilities, was not a burden on the Government, and any money received from its sale might be balanced by a loss in Federal aid for relief purposes. Evidence indicates that the four companies may have attempted to arrange for finances to purchase Commission holdings in the fall of 1937 and possibly came to an understanding regarding their division.[50] But their hopes were never realized.

Nevertheless, the efforts of the private operators to undermine or eliminate the Commission were not completely unproductive. When Gardiner returned to office in 1934, policy as worked out in 1929 and 1930, plus the zoning arrangement, was continued. However, his administration relaxed control over transmission line extensions. During 1935, it authorized Canadian Utilities to construct one extension, in 1936 another, and 1938 two more. Dominion Electric built extensions in 1936, 1938, and 1941, while National Light and Power did likewise in 1937 and 1940. Only in a single instance does the Commission appear to have taken an option.[51]

In 1938 the Commission also approved an agreement by which its line from Moose Jaw to Riverhurst was operated and maintained by National Light and Power.[52] In discussions preceding the deal, the Honorable J. W. Estey told Thornton that it had been suggested that the Commission sell the line. Thornton summarized his response as follows: "I said the Government policy of some years ago would have to be altered. I outlined how we had built many of our lines when the policy was to own and operate all lines, rather than to zone the Province into divisions of influence between the Commission and the private companies."[53] Thornton's account of the discussion not only attests to the existence of the zoning arrangement but also indicates that, if the Government wished to convey the impression of adhering to its transmission line policy, it could not sell the line. Finally, Dominion Electric correspondence illustrates the disparity between professed policy and actual practice. Replying in 1938 to a letter requesting an extension from Davidson to Girvin — ostensibly Commission territory — Schlosser wrote that his company had wished to build the line a few years earlier but had been prevented from doing so by the Commission. He then added: "While this restriction remains in force, I am quite certain that we would have no difficulty in obtaining permission at this time so that the only thing that we need be convinced of is that there is sufficient revenue to justify this line."[54]

Evidently, Schlosser was little concerned about his company's future under the Patterson Government. Early in 1944 he wrote: "The Provincial Election this summer will probably determine for a considerable number of years whether or not private companies will continue to operate in the Province."[55] The Liberal party's election manifesto would scarcely have worried him. It mentioned that the Commission had "prepared plans for the construction of lines throughout the Province," that the Government was "considering possible sources" of power and that the need for electricity for farm use was "fully appreciated," but made no reference to the private utility companies.[56]

DOMINION ELECTRIC GENERATING STATION AT TAYLORTON, ABOUT 1940. The ground on which the plant stood was collapsing, a seam of coal below it having been removed. (S.P.C. Photo Collection)

All in all, the manifesto suggested that the Government was working out progressive programs but the facts indicate rather that it was suffering from a depression complex and was ill-prepared to cope with the post-war era. Insofar as the province's electrical utilities were concerned, it had no plans for their integration, had undertaken no studies of possible power sources and had done almost nothing preparatory to supplying electricity to the farm population. While the Manitoba Government, after underwriting a major inquiry into the problems and possibilities of farm electrification, had decided to subsidize it, and while Calgary Power and Canadian Utilities were carrying out area investigations along similar lines in Alberta, Saskatchewan was marking time. Thornton did not believe it advisable to investigate the subject until the Government decided whether or not to subsidize. Nor did he discuss it with private operators. Thus when he had to take up the matter, he had to resort to adjusting the findings of the Manitoba inquiry to cover the local situation.[57] For its part, the Government had made no decision regarding either an investigation or subsidies.[58]

In like manner, since Government policy did not contemplate the establishment of a province-wide system at any time in the future,[59] Commission plans for transmission lines were not made on such a basis. Indications are that Thornton had only a dozen or so extensions under consideration, mainly designed to add to the Saskatoon, North Battleford, Tisdale and Wynyard systems.[60] As far as taking care of the electrical requirements of the province was concerned, he stated that only some of the urban centres not served by major plants could be supplied economically from them. Those which could, he judged, might be reached in a six-year period during which 150 to 400 miles of transmission line would be built annually. But even to do this, he believed it would be necessary to obtain funds at low interest rates.[61]

To the extent that the Government had taken any steps concerning the province's electrical utilities, it seems to have done only three things. First, in the spring of 1944 it had passed a resolution calling for Dominion-Provincial cooperation to extend rural electrification.[62] Secondly, during the same session it had passed an amendment to the Power Commission Act outlining procedures for expropriating property.[63] And thirdly, the most significant step, it had appointed the Saskatchewan Reconstruction Council in the fall of 1943 to formulate a post-war reconstruction and rehabilitation program.[64]

The Reconstruction Council investigation brought out many of the shortcomings of the province's electrical developments and the inadequacies of official power policy. In short, it found electrical service confined almost exclusively to urban areas and thus available to only about one-third of the population, great differences of opinion concerning sources of cheap power, faulty regulations governing the location of transmission lines, a lack of planning for expansion, and isolated lines owned by the Commission which could be justified only when considered as part of a long-range plan for province-wide coverage. Expansion by private companies, it determined, had been "very drastically curtailed." The Council concluded that demands for electricity could not be ignored and the "completely unsatisfactory condition" permitted to continue.[65] The Commission stood condemned for following too cautious a policy regarding transmission line extensions, and both it and the private companies for their attitude toward rural electrification. On the latter subject, the Council stated: "Up to the present time the general attitude of both public and private utility agencies toward rural electrification has been extremely passive. For example, the Saskatchewan Power Commission has 1,500 miles of transmission line, all of which is constructed along road allowances. At this date, they have 130 rural customers or about one for every ten miles of line. Their policy has been to accept applications for service from rural customers adjacent to their lines, but no effort to expand this field has been made. This attitude is identical with that adopted by other agencies in the Prairie Provinces."[66]

In order that planned electrification might take place, the Council recommended that a study of the relative merits of developing power from lignite and waterpower sites be undertaken, that committees be appointed to examine regulations respecting the location of transmission lines and to investigate the whole field of farm electrification, that the Local Government Board be given the responsibility of handling applications for transmission line extensions, and that public ownership of power be the ultimate goal of the Government. Regarding the last of these the Council suggested that if the Power Commission did not proceed to expand throughout the province permission be granted for extensions by the private operators under definite agreements whereby the Government could take over such lines at a reasonable price when conditions warranted it.[67]

The *Report of the Saskatchewan Reconstruction Council* clearly indicated that something had to be done if Saskatchewan was to possess an adequate electrical system. In the interests of the province, a decision had to be made either to dispose of the Commission to the privately owned companies and encourage those firms to operate as a single utility or to take over the holdings of such concerns and establish a province-wide publicly owned monopoly. The Cooperative Commonwealth Federation, elected in 1944, chose the latter course; and during the fifties the high-voltage grid and generating stations necessary for a province-wide, integrated power system were established. But did application of a definite policy of public ownership quickly end the waste of a divided utility field? No. Subsequent chapters will show that the Douglas Government was willing to make the decision that Saskatchewan have a province-wide, integrated power system but that it was less prepared to take the necessary steps to apportion the costs of such a system on a province-wide basis or to make certain decisions which might prove politically unpopular. In short, through failure to act decisively the Gardiner, Anderson and Patterson administrations had silently followed a policy which could be described as little more than one of waste; the Douglas administration in turn only gradually eliminated that waste and did so by means which can hardly be called fair.

Footnotes to Chapter V
DEPRESSION, STAGNATION AND INDECISION

[1] H. G. Acres and Co., "Final Report on Power Development and Transmission, 10 September, 1931, pp. 1, 5, 11, S.P.C. Library. Hereinafter cited as Acres Report.

[2] H. G. Acres to Thornton, 10 September, 1931, in *ibid.*

[3] Acres Report, p. 53.

[4] *Ibid.*, pp. 14, 17, 23.

[5] *C.A.R.*, 1932, pp. 279-280.

[6] S.P.C. *Annual Report*, 1933, p. 3.

[7] Memo by Thornton, 23 October, 1936, S. R. Parker to Thornton, 27 November, 1936, Thornton to George Spence, 16 December, 1936, Memo by Thornton, 16 December, 1936, S.P.C., Canora, Town No. 1. The private concern which had arranged to purchase the utility had never taken it over.

[8] This line was not included in the year's planning. See Thornton to George Spence, 29 April, 1937, S.P.C., Finance and Accounting, Capital Budget No. 3.

[9] Memo by Thornton, 28 June, 1938, *ibid.* For lines planned, see Thornton to J. W. Estey, 4 July, 1938, *ibid.* Estey was apparently thinking of an expansion program costing about $75,000 per year. He referred to this amount in a memorandum to the Honorable J. M. Uhrich, Minister of Public Health, who was supporting a request for a line from Lestock to Kelliher in order that the hospital at the latter place might use X-ray equipment. Estey stated: "Unfortunately, up to the moment, we have not been able to find funds to enter upon this programme." See J. M. Uhrich to J. W. Estey, 15 July, 1938, reply, 20 July, 1938, Uhrich Papers, File No. 35, Misc. Files, A.S.

[10] The material for this line was purchased on a deferred payment plan, otherwise the extension from Dundurn to Young would not have been undertaken. See Thornton to J. W. Estey, 17 January, 1941, S.P.C. Finance and Accounting, Capital Budget No. 4. The reason for undertaking the part from Saskatoon to Dundurn was to supply power to the Dundurn army camp. See J. W. Estey to Thornton, 7 September, 1939, *ibid.* No. 3.

[11] S.P.C. *Annual Reports*, 1931-1944.

[12] *The Regina Daily Star*, 30 January, 1935, *The Leader-Post* (Regina), 30 January, 1935, in S.P.C., Government Provincial, Power Policy No. 1.

[13] W. H. Schlosser to N. L. McLeod, 11 February, 1935, speech addressed to N. L. McLeod, D.E.P. No. 163.

[14] Questions and Answers, 8, 12, 18 February, 1935, S.P.C. Legislature, Votes and Proceedings No. 1; Sessional Papers Nos. 55, 56, 58, 60, 62 and 63, 1934-35, made available to the author by the Clerk of the Legislative Assembly.

[15] Memo by Thornton, 13 October, 1934, S.P.C., Government Provincial, Power Policy No. 1.

[16] E. W. Bowness to Thornton, 28 November, 1935, same, 29 February, 1936, S.P.C., Canadian Utilities, Property Exchange Proposed No. 1.

[17] Thornton to Spence, 9 April, 1936, S.P.C. Government Provincial, Power Policy No. 1.

[18] Memo by Thornton, 10 April, 1936, *ibid.*

[19] E. W. Bowness to Thornton, 29 February, 1936, S.P.C., Canadian Utilities, Property Exchange Proposed No. 1. The firm's isolated plant at Rosetown was connected to the Commission's Saskatoon system and Kerrobert was reasonably close to the Commission's line at Luseland, while the Commission's Saltcoats system secured power from the company's plant at Yorkton and its Tisdale system could be tied to the firm's Prince Albert Melfort system by a short line.

[20] Memo by Thornton, 6 June, 1936, *ibid.*

[21] H. R. Milner to Premier Patterson, 22 September, 1937, *ibid.* The company also offered to exchange Rosetown plus some cash for the Tisdale system. Also see E. W. Bowness to Mayor W. C. Buckle, Tisdale, 20 September, 1937, J. E. Mollard to S. R. Parker, 5 October, 1937, same, 6 October, 1937, Town Clerk, Tisdale, to Thornton, 15 October, 1937, H. J. Dorrance, M.L.A., to Thornton, 19 October, 1937, *ibid.*

[22] Memo by Thornton, 28 October, 1937, same, 15 November, 1937, *ibid.*

[23] Thornton to Town Clerk, 26 June, 1937, *ibid.*

[24] W. H. Schlosser to P. B. Shaw, 3 January, 1935, D.E.P. No. 222.

[25] J. A. Taylor, auditor, to Loeb and Shaw, 9 September, 1936, D.E.P. No. 56.

[26] W. H. Schlosser to T. E. Roach, 15 April, 1937, D.E.P. No. 224.

[27] Memo by Thornton, 12 May, 1933, Gaherty to Thornton, 4 June, 1933, Memo by Thornton, 7 June, 1933, S.P.C., Power Development, Saskatoon Tri-City Interconnection.

[28] W. H. Schlosser to L. Loeb, 29 November, 1935, D.E.P. No. 222.

[29] *The Leader-Post* (Regina), 6 March, 1936, in S.P.C., Regina, Town No. 1. Also see *ibid.*, 19 February, 1936 and Thornton to George Beach, 3 March, 1936, in *ibid.*

[30] Memo by S. R. Parker, 17 April, 1936, *ibid.*

[31] S. R. Parker to Thornton, 16 April, 1936, Memo by S. R. Parker, 17, 18 April, 1936, *ibid.*

[32] S. R. Parker to Thornton, 23 April, 1936, also see same to same, 22 April, 1936, *ibid.*

[33] E. W. Bull to the Mayor and Council, 21 April, 1936, *ibid.*

[34] W. H. Schlosser to the Mayor and Council, 23 April, 1936, *ibid.* The City would conserve its credit while the province would benefit from the increased use of lignite and the employment created by construction of the project.

[35] H. Forbes-Roberts to the Mayor and Council, 23 April, 1936, *ibid.*

[36] S. R. Parker to Thornton, 30 April, 1936, *ibid.*

[37] *The Leader-Post* (Regina), 24 April, 1936, in *ibid.*

[38] *The Daily Star* (Regina), 26 April, 1936, in *ibid.*

[39] Memo by Thornton, 21 May, 1936, *ibid.*

[40] *Ibid.*

[41] H. Forbes-Roberts to Thornton, 8 February, 1937, S.P.C. Power Development, Saskatoon Tri-City Interconnection.

[42] H. Forbes-Roberts to Premier Patterson, 8 February, 1937, *ibid.*

[43] Memo by S. R. Parker, 10 February, 1937, *ibid.*

[44] H. Forbes-Roberts to Thornton, 23 February, 1937, Parker to Thornton, 25 February, 1937, *ibid.*

[45] Parker to Thornton, 30 March, 1937, *ibid.*

[46] Draft agreement, 25 March, 1937, paragraph 7, *ibid.*

[47] Notes on draft agreement of 25 March, 1937 by S. R. Parker, 31 March, 1937, *ibid.*

[48] Thornton to G. Spence, 7 April, 1937, *ibid.*

[49] W. H. Schlosser to T. E. Roach, 24 November, 1937, D.E.P. No. 224.

[50] Schlosser mentions the discussions between Loeb and Patterson in *ibid.* At the same time he stated that Dominion Electric should cooperate with the other companies in acquiring the Commission's system. He pinned his hopes on a general financial adjustment by the Province and the need for expansion at Saskatoon. E. W. Bowness requested the cooperation of Dominion Electric in acquiring Commission property, "rather than engaging in indiscriminate competition" which might be self-defeating. According to Leo Loeb, Bowness saw Schlosser, Berry of National Light and Power and planned to see an official of Montreal Engineering to discuss the situation. Loeb also requested Bowness to put his conclusions into a memorandum which would serve as a basis for approaching financiers regarding financing acquisitions in 1938. See L. Loeb to T. E. Roach, 18 November, 1937, *ibid.* When interviewed on 1 September, 1964, Patterson stated that the Government had no thought of selling.

[51] An option was taken on a line from Star City to Valparaiso.

[52] S.P.C. *Annual Report*, 1938, p. 3.

[53] Memo by Thornton, 1 August, 1938, S.P.C., Government Provincial, Power Policy No. 1.

[54] W. H. Schlosser to A. O. Goodmanson, 17 January, 1938, D.E.P. No. 173. The company built the line a short time later. W. H. Schlosser to W. W. Taylor, Perdue, 14 November, 1939, *ibid.*, indicates that the firm was also considering expanding in the vicinity of Biggar, also supposedly in Commission territory. W. H. Schlosser to J. W. Heartwell, Meadow Lake, 27 November, 1942, D.E.P. No. 125 suggests that the company might also consider entering entirely new areas.

[55] W. H. Schlosser to L. Loeb, 23 March, 1944, D.E.P. No. 227.

[56] Election Manifesto by the Government of Saskatchewan, 16 May, 1944, Clipping File, Rural Electrification, S.P.C. Library.

[57] Thornton to J. W. Estey, 7 February, 1944, Thornton to Mrs. Helen Tooth, 3 April, 1944, S.P.C., Power Development, Post-War Reconstruction.

[58] Minister of Agriculture to Thornton, 20 December, 1943, *ibid.*, reads as follows: " . . . it has often occurred to me that it might be cheaper and in many respects more satisfactory to assist farmers in purchasing individual plants rather than to incure [*sic*] the great cost of building transmission lines to serve such a scattered population as we have in Saskatchewan. . . . With respect to state subsidies, it would seem to me we would not be justified in entering on a programme of this kind in this Province unless we were also prepared to subsidize the purchase of individual power plants for those thousands of farmers who could not be reached by transmission lines." However, there is no indication that the Government made any decision on either subject.

[59] Interview with W. J. Patterson, 1 September, 1964. The ex-Premier stated that the com-

panies would have continued to operate had his party retained office. Property would have been exchanged, however, to make operations more economical.

[60] Thornton to J. W. Estey, 4 July, 1938, S.P.C. Finance and Accounting, Capital Budget No. 3; Thornton to L. F. McIntosh, 15 August, 1944, Thornton to J. L. Phelps, 29 August, 1944. Phelps Papers, S.P.C., A.S. The extensions contained herein appear to be the only ones the Commission had considered.

[61] Thornton to Dean F. C. Cronkite, 10 November, 1943, S.P.C., Power Development, Post-War Reconstruction.

[62] *The Leader-Post* (Regina), 24 March, 1944, in S.S.H. Vol. 51.

[63] *Statutes of the Province of Saskatchewan*, 1943, Ch. 7. This act may have been passed primarily to assist the City of Yorkton in repurchasing its utility from Canadian Utilities. See Thornton to J. L. Phelps, 8 August, 1944, Phelps Papers, S.P.C.

[64] *Report of the Saskatchewan Reconstruction Council*, Regina, King's Printer, 1944, p. 9. A.S. Hereinafter cited as SRC.

[65] *Ibid.*, pp. 148-152. Thornton denied the charge that provincial policy had always been restrictive and had prevented expansion by the private companies at all times. See Thornton to J. L. Phelps, 29 December, 1944, S.P.C. Power Development, Post-War Reconstruction. The Council apparently based its statements on evidence presented by Schlosser at the Estevan hearing. This evidence appears to have involved the years 1930 and 1931. See Saskatchewan Reconstruction Council, File 1, Estevan Briefs, Sitting March 16, 1944, A.S.

[66] Saskatchewan Reconstruction Council, File 12, Supplement to Public Hearings, A.S.

[67] *SRC*, p. 152.

Chapter Six

BEGINNING ANEW

The story of electric power in Saskatchewan is a tale of many individuals whose efforts created the publicly owned utility which exists today. During the four and a half years which followed the 1944 provincial election two persons were particularly prominent: Joseph L. Phelps and Halma F. Berry. The former had certain objectives in mind while the latter possessed the experience and practical knowledge to lay much of the basis for achieving them. Though the visible results of their efforts were dwarfed by what took place after they had left the scene and though neither achieved all his goals, the importance of their decisions concerning such matters as purchase of private utility companies, generation of power from lignite, rate reductions and terms under which service would be provided to municipalities ought not to be overlooked.

Phelps, a farmer from the Wilkie district placed in charge of the Power Commission and named Minister of Natural Resources in the Douglas Government, was a strong believer in public ownership. He was convinced that the Province would have to take over the holdings of the private companies if it was to establish an adequate power system for Saskatchewan. Moreover, he had had the problem of rural electrification much at heart for a long time. He maintained that as a means of improving farm life and stabilizing the agricultural economy, rural electrification ranked in importance with year-round transportation and proper utilization of land.[1]

Berry had been born in the State of Wyoming. As a young man he attended university in Iowa where he specialized in accounting and received a Bachelor of Arts in business administration. Following graduation he joined Iowa Southern Utilities, eventually becoming assistant secretary in the organization. Shortly after the company purchased the Moose Jaw utility, he was sent to that community where he became president and general manager of National Light and Power during reorganization in the thirties. This was the position he left when Phelps prevailed upon him to become Power Commissioner in January 1945.

Berry's views complemented those of Phelps. He believed that the post-war era would see much emphasis on the widest possible distribution of electrical energy and that such distribution would be one of the top ranking items in all reconstruction programs. As well, and rather surprisingly in the light of his background, he was not opposed to Phelps' views on ownership of Saskatchewan electrical facilities.[2]

Shortly after the results of the 1944 election were known but before the reins of office had been transferred to T. C. Douglas and his colleagues, Walter Schlosser directed the following lines to his firm's New York office: ". . . while the question of policy relative to power development was at no time an issue during the campaign, it would seem to me that we can quite reasonably expect the new Government to take steps to take over the private power companies as soon as they take office. I may be wrong in this prediction, and they may not take action for several months or possibly for a year, but it would appear inevitable if the platform on which the new Government was elected means anything."[3] As already noted Schlosser had considered the outcome of the election important insofar as the future of his company was affected, and his concern was not without foundation. One of the last moves of the C.C.F. while in opposition was to bring in a resolution calling upon the Government to acquire the main existing power sites and develop new ones in order that electricity might be mass produced for distribution at low cost to rural areas and for industrial and northern development.[4] In addition, the gentlemen's agreement zoning the province would not influence the new administration since it was unknown outside a select circle composed of members of the Patterson Government and officials of the Commission and private utility companies.[5]

Soon after taking charge of the Commission, Phelps announced that the Government wished to acquire the holdings of private companies at the earliest opportunity with the ultimate goal of establishing a power system to serve the entire province. Perhaps one firm per year would be purchased in view of the difficulties involved in financing such a program. In the process, the companies would be fairly treated. "We believe in compensation not confiscation," Phelps declared. He also stated that the Government would investigate utilizing lignite for power production and expressed the opinion that rural electrification would require subsidization. In respect to such financial aid, he indicated that it would not be available to private operators and asserted: "I only think, speak and act in terms of social enterprises these days — social enterprises in terms of the Saskatchewan Power Commission."[6]

Phelps soon formulated what might very generally be described as a six point program for the Commission. It would take over the holdings of private operators. It would actively encourage production and distribution of electric power. Plans would be drawn up at once for expanding its transmission system to provide complete coverage of all urban and rural areas. All new power lines would conform to certain standards and coordinate in an overall plan for electrification of the province. The capacity of its generating stations would be increased to supply energy for the

Government's industrial development program. And its rates and contracts would be rearranged on the principle that urban users of power would absorb some of the costs of providing service to rural areas.[7]

In accordance with his aims, Phelps launched a two pronged attack on the problems immediately before him in the late summer. He instituted an investigation of the Power Commission and opened negotiations with National Light and Power to assess the feasibility of purchase. The latter brought him into contact with Berry, who, he soon decided, could put the Commission on a much firmer basis if secured to succeed Thornton.[8]

The investigation, conducted by Vern Hogg, Deputy Minister of Natural Resources, revealed some of the Commission's shortcomings previously mentioned and uncovered mechanical inadequacies relating to certain of its plants.[9] In his report Hogg stated:

> It is evident . . . that the organization suffers from the lack of a well defined policy and program. This is no doubt responsible for the very cautious and conservative attitude which is evident throughout. Specific instances were noted . . . where decisions had to be reversed in regard to extension of services. . . It is also responsible in part at least for the indifferent attitude of the commercial department in regard to the extension and sale of electrical services. Part of the problem may resolve itself into a question of personnel, however, with one possible exception this may be left in abeyance, as the general attitude may change under the stimulus of a well defined policy and program.[10]

As a means of overcoming the situation Hogg urged Phelps to arrange a conference of the Power Commissioner, solicitor and heads of the accounting, engineering and licensing branches, together with certain superintendents and others, in order to acquaint them fully with the policy and program the Government intended to pursue. "Ask for recommendations, suggestions, etc., and generally create an attitude of cooperation. This may be beneficial in breaking down the present autocracy which exists in the commission." In order to obtain more information, Hogg advised Phelps to request the Commission's engineering department to draw up reports on, among other things, the cost of expanding the system on a province-wide basis and the relative merits of developing power from natural gas, lignite and hydro. He also urged Phelps to discuss the Reconstruction Council's recommendation for an immediate survey of the whole field of rural electrification, and the necessity of an extensive program to educate farmers on the use of electricity before instituting such a program.[11] While acting on these suggestions Phelps engaged periodically in discussions with National Light and Power.

In commencing negotiations with the Moose Jaw firm, the Government gave some thought to purchasing its common stock for roughly $1,000,000. Under such an arrangement the mortgage bonds and other debts of the concern would have been unaffected except that the Province would have assumed responsibility for their repayment. Schlosser doubted that the physical value of the utility was that great, except in replacement costs, but believed that purchase would be profitable from the point of view of revenue. Provincial authorities would not only acquire the profits of the company but roughly $90,000 annually which would no longer have to be paid in taxes to the Federal Government. Berry himself may have been optimistic that such an arrangement would be worked out, but the Government soon decided against the procedure.[12]

Shortly after discussions began the Commission arranged to have the Moose Jaw plant evaluated. E. W. Bull, formerly of Regina Light and Power, and A. L. Cole, superintendent of the Commission's Saskatoon plant, conducted appraisals. Both concluded that the generating station had an actual value of slightly over $1,000,000 but that a more thorough investigation should be undertaken before making a decision to acquire it.[13] Added to the above sum was the value of the distribution system and the transmission line to Mossbank, estimated at approximately $500,000, and against the total were debts of roughly $3,000,000 represented by stocks and bonds. Arthur Hayworth, Commission secretary, advised Phelps that the disparity between tangible assets and debts would appear to preclude purchase of the stock.[14]

These considerations doubtless influenced any plans, however vague, the Douglas administration had concerning buying the company. But there were other factors which bore particularly on and were already operating to modify the course Phelps himself first considered pursuing. Shortly after opening negotiations he began to believe that it might be best to leave the Moose Jaw firm as it was, at least temporarily, as it was operating as an economic unit and alone among the various companies formed a unified holding.[15] This line of reasoning was reinforced through discussions with Berry. The latter argued that purchase of his company would not increase the number of electrical consumers, whereas the same money spent on transmission lines would. In addition, to cooperate with the Government, Berry offered to supply energy to the Commission on terms similar to those contained in its agreement with Saskatoon.[16]

During these discussions Phelps became convinced that Berry was the man to become the next Power Commissioner,[17] but it required some negotiating to obtain him. According to Schlosser, when Berry was offered the position he agreed to accept on two conditions: first, that the Government decide whether or not it would purchase or expropriate his company as soon as funds became available and, secondly, that he could locate a suitable man to assume his own position. Phelps soon definitely resolved to postpone acquisition of the firm. And Berry, having found a replacement, agreed to become Commissioner, though apparently none too anxious to do so, and with the understanding that it would be for only a few years.[18]

The reactions of Schlosser, perhaps typical of private utility officials, were very favorable to Berry's appointment. Shortly after learning of the possibility he stated that if Berry did not accept, someone from Ontario Hydro would be brought in, to which he added: "I note that Mr. Phelps would much prefer having someone who is familiar with operations in this province and I think that he is to be complimented on having made this offer to Berry." With regard to Berry, Schlosser asserted: "He at least should be sympathetic to the problems of the private companies and there should be no question but that he would respect the investment that the companies have in any negotiations which the Government might institute later."[19] One can only speculate on what his comments might have been had he suspected that Berry and Phelps would give Dominion Electric top priority among acquisitions by the Commission.

The selection of Berry was likely also well received in financial circles. Early in October Eric Morse of W. C. Pitfield and Company of Montreal, a large financial institution which had been keeping Saskatchewan under observation, remarked: "The Saskatchewan Government since it came into power appears to have conducted its affairs along fairly conservative lines and, contrary to earlier views, we are inclined to believe the administration may turn out to be sound."[20] The appointment may have strengthened the belief, for Berry had had dealings with Pitfields in the past.

In 1944, as had happened before in Saskatchewan, a change in government momentarily halted planning for expansion of electrical utilities. At the same time, it placed Dominion Electric in an embarrassing position and possibly set the stage in more ways than one for its passage into the realm of defunct corporations. At about the time the election took place, the company learned that a new industry requiring considerable energy would be established at Melville. Two courses were open to the firm: it could increase the capacity of its local plant or build a connection from Melville to Canadian Utilities' transmission line at Neudorf. Schlosser hoped to do the latter but it was difficult to arrange and illustrated remarkably well the absurd state of the provincial transmission system. He explained how complicated the transmission would be: ". . . the current that we would interconnect with is generated by the municipal plant in Regina and sold to the Prairie Power Company, and they in turn sell to Canadian Utilities and we would have to make our deal with the Canadian Utilities."[21] However, neither Canadian Utilities nor Prairie Power seemed interested in facilitating the connection. Schlosser was somewhat concerned, since he realized that failure to supply the required energy would make a Government takeover almost mandatory. Then came Phelps' policy statement. In view of it he feared making any major expenditure lest his firm be taken over on unsatisfactory terms.[22] Consequently, he approached Thornton to see if the Commission would build and lease out the proposed line, whereupon the latter brought the matter to Phelps' attention. In doing so Thornton stated that owing to the number of interests involved the price at which power would have to be delivered to Melville would be insufficient to pay any part of the investment in existing power lines.[23] The episode brought home to Phelps the need for action.[24]

Perhaps with the foregoing situation in mind, Schlosser stated in a letter to Paul E. Peltason of the Peltason, Tenenbaum Company of St. Louis, Missouri, holders of all common stock in Dominion Electric: "In view of the expressed determination of the Government to take over the private companies I am wondering if the best thing for us would not be to try to assist them in financing the purchase and have the whole thing brought to a head as quickly as possible. There is not much interest in operating a property that has the threat of its expropriation hanging over its head."[25] Peltason agreed with Schlosser, asserting that to get out of Saskatchewan would facilitate planning with respect to properties located elsewhere.[26]

In offering his suggestion Schlosser advised Peltason to contact Pitfields of Montreal. This Peltason seemingly did, for Pitfields made other recommendations. Arguing that Dominion Electric's property outside Saskatchewan would complicate expropriation and necessitate retiring all its debts if it were taken over, Eric Morse maintained that the Douglas administration would attempt to acquire National Light and Power first. Also stating that the market for Saskatchewan securities was narrow and that financing would be difficult without paying excessive interest rates, he urged Dominion to wait and not do anything to precipitate the disposal of its properties. Schlosser accepted the arguments and shortly thereafter was advised by Morse to concentrate on operation and public relations while curtailing expenditures until Government policy appeared to be clarified.[27] But Peltason, it would seem, was unswayed in his convictions, and the fate of the company was sealed. Perhaps Schlosser himself contributed to it by informing Berry of Peltason's beliefs; the two were apparently in close touch during these weeks.

In the latter part of 1944, prior to assuming his new role, Berry conducted surveys in various parts of the province to acquaint himself better with the overall situation. During these weeks he doubtless reached certain conclusions regarding how best to proceed in joining the various properties into a more or less continuous network and paving the way for realization of Phelps' aim to generate more power from lignite,[28] for within ten days of becoming Commissioner he recommended purchase of Dominion Electric. "I believe it would be possible," he stated, "to buy the common stock of this Company for a figure somewhere between $400,000.00 and $450,000.00. This would represent a cost of approximately 60% of the book value." Berry estimated that the earnings of such stock, plus federal income and excess profit taxes which would be retained by the Province, would pay for the stock in three years. By obtaining a bank loan and conducting other financial transactions, he predicted that the property could be acquired without any expenditures except "payments advanced from the Company's own earnings."[29] When Phelps took the proposal to the cabinet its members raised no serious objections, and within less than a month agreement had been reached along these lines.[30] Existing statutes

DOMINION ELECTRIC TRANSFERS ITS PROPERTY TO THE SASKATCHEWAN POWER COMMISSION AT ESTEVAN GENERATING STATION, 1945. Left to right: Power Commissioner H. F. Berry; S.P.C. power production superintendent, Albert L. Cole; Dominion Electric general manager, Walter H. Schlosser, and Estevan's mayor, Harry Nicholson. (S.P.C. Photo Collection) did not cover such transactions. Consequently, at its next session the House passed retroactive legislation permitting the Commission to purchase capital stock in incorporated electrical utility companies operating in the province, provided it acquired a controlling interest.[31] Thereafter and until amalgamation took place on January 1, 1947 the company operated as a wholly owned subsidiary of the Commission.[32].

In a memorandum to Phelps soon after concluding arrangements to purchase Dominion, Berry outlined plans for the newly acquired property: "The Dominion Electric . . . Plant at Estevan purchases fuel for less than one-third the cost on a B.T.U. basis of cost for fuel at any other location in . . . Saskatchewan. The Province, in endeavouring to build up a base power supply in the Estevan area, will be securing the cheapest source of power in the Province and, in addition, will be furnishing employment to its own citizens and using a natural resource of the Province."[33] He also described the existing situation, a result of splintering the electrical utilities field. For several years coal had been hauled 165 miles and used to generate power which was transmitted back to within forty miles of the mines. "This," Berry asserted, "is certainly a wasteful and economically unsound method of furnishing electrical energy to the citizens of our Province."[34] Under consolidated management Estevan, Moose Jaw and the Southwest would be interconnected at the earliest possible date, while long range planning would provide for making Estevan the base load centre for all transmission lines in southern and eastern Saskatchewan. Berry pointed out that certain Dominion holdings were already connected with those of the Commission and that a number of communities in the southwest could be easily joined together. Here eight Dominion and Commission diesel plants and the National Light and Power steam plant could all be tied together. This would permit closing down several expensive and inefficient diesel generating stations. "The greater efficiency and reduced cost following such consolidation is apparent," he declared.[35]

To consolidate the properties, plans for a number of transmission lines were drawn up and approved. As a preliminary step Berry decided to connect the Dominion Electric Gull Lake and Shaunavon-Assiniboia systems with the Commission's Swift Current-Leader system and its isolated plant at Willow Bunch. These projects would permit closing two plants while three additional ones would be shut down through extensions elsewhere in the province. Also approved for construction was the Estevan-Stoughton connection, a milestone in provincial electrical development. This transmission line designed to operate at 66,000 volts would be the first to function at that voltage in Saskatchewan. With its completion it became possible to transmit a large block of cheap power from the coal fields to various load centres. Berry proposed to utilize it initially at 22,000 volts to make Estevan power available across southern Saskatchewan. This would enable the Commission to reduce purchases of power at Moose Jaw and Regina with resultant economies, as Estevan generating costs were expected to be only half the price paid.[36] Later he intended to extend the line northward to Melville, Yorkton and Canora.

With the decision to build the Estevan-Stoughton line, Schlosser's dream of 1927 was in the process of realization. The first step toward an integrated power system for the area was about to be taken. A number of years would elapse, however, before such a system covered the entire province. For 1945 all projects were designed essentially to join together existing properties. No consideration was given to acquisition and connecting up of unnecessary isolated plants. For that matter purchase of isolated units was not regarded as desirable during Berry's term of office because of shortages of construction material, the diesel fuel situation and the high operating costs of such plants.[37]

While negotiating to purchase Dominion, Phelps obtained a brief evaluation of the holdings and held informal discussions with officials of Prairie Power with a view to taking over that firm.[38] The Estevan-Stoughton line, which Berry shortly thereafter proposed, would connect the Estevan plant with Prairie Power's major transmission system. Other connections already existed. In addition, energy from Estevan would utilize the company's lines on its way to western Saskatchewan when such transmission began, and other lines being planned for in the area served by the company would have to be energized with power purchased from it. Consequently, Berry informed Phelps that it would be advisable to make preparations in case the Government decided to consolidate the firm's holdings with the Commission.

The following morning Phelps arranged for increased appropriations for the Commission and obtained authorization from the cabinet to institute negotiations.[39] He and Berry promptly opened discussions, but this time purchase took longer. Indeed, before settlement was reached the Government was considering expropriation.[40] The company did not set a price for some time, then it asked for $2,000,000. The Commission countered by offering roughly $1,250,000, whereupon the firm lowered its figure. Stating that the Government preferred a negotiated settlement to expropriation, Phelps suggested splitting the difference. Thus a price of $1,462,000 was agreed upon, and paid, and the property absorbed into the Commission at once.[41]

For the years immediately following 1945, Berry had plans drawn up for expanding the Estevan generating station, for converting the North Battleford plant to natural gas if such fuel became available, and for replacing diesel engines in the Unity area with natural gas equipment. New estimates on the Fort à la Corne hydroelectric project were also obtained, plans developed for transmission lines as material became available, and preliminary surveys of other prospective routes conducted.[42]

However, the Commission's 1945 construction program had scarcely commenced when difficulties in obtaining material and equipment were brought sharply to Berry's attention. Boilers were required at Estevan and

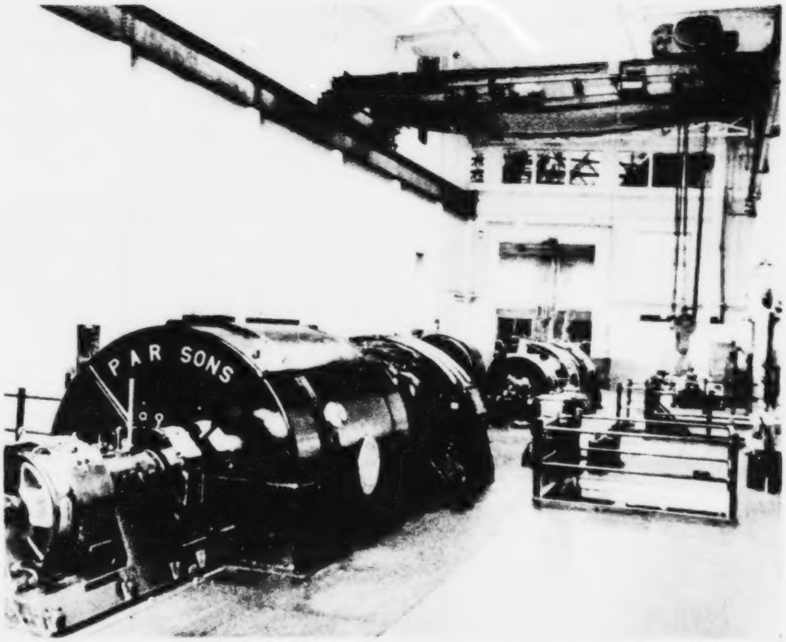
North Battleford. When the Commission began placing orders, it learned that Russia had contracted for ninety large units. This meant that such equipment could not be obtained for the better part of a year. At the same time it discovered that Ontario, Manitoba, Alberta and British Columbia utilities were ordering thousands of poles, much line hardware and large quantities of wire for future delivery. The Commission had to do likewise or face long periods of waiting.[43] Nevertheless, delays and shortages produced postponement after postponement until by July 1947 it was a year to eighteen months behind schedule in its expansion program.[44]

Of transmission line projects slated for 1945, the Commission completed only two. Its *Annual Report* predicted completion of those in the Swift Current area during 1946 and stated as well that the Estevan-Stoughton connection would probably not be in service until the latter part of that year. Start of construction on one of its larger projects was made possible only by acquisition of surplus equipment from the War Assets Corporation. Material salvaged from airfields near Weyburn was used to commence building a line there. It also arranged for conversion of military equipment to serve civilian needs in the Yorkton and Moose Jaw areas. The only addition to generating equipment during the year took place at Nipawin, where it commenced installation of a diesel unit.[45] In summing up developments during 1945 and making a forecast regarding 1946 the *Annual Report* stated: ". . . our difficulties in securing material and equipment have increased rather than diminished and we may be retricted to a considerable degree . . . because of slow deliveries of construction material . . . this may reach such proportions as to curtail our projected construction program for 1946."[46]

True to predictions, in many respects 1946 was a repetition of the preceding year. Three completed transmission line projects resulted from the acquisition of material from the War Assets Corporation, three others begun in 1945 were finished, though one of them not until December, while a fourth, left over from that year's program, remained to be completed in 1947. Only three new projects undertaken in 1946 were finished that year, their total length being eight miles. In short, practically the entire program had to be postponed. Poles and to a lesser extent wire were in extremely short supply.[47] Strikes in the steel and coal industry further complicated the situation. Many manufacturers refused to quote prices on orders for future delivery or to make promises regarding delivery dates.[48]

On the power production front progress occurred at roughly the same pace. The 15,000 kilowatt turbo-generator, ordered for Saskatoon during the war, arrived and was practically ready for service at the end of the year. The Estevan generating station was also enlarged and boiler equipment installed preparatory to expanding its capacity. However, expansion of other plants was delayed awaiting the necessary machinery.[49]

Perhaps the highlight of the *Annual Report* was the announcement that for the first time in its history the publicly owned utility was out of the red.

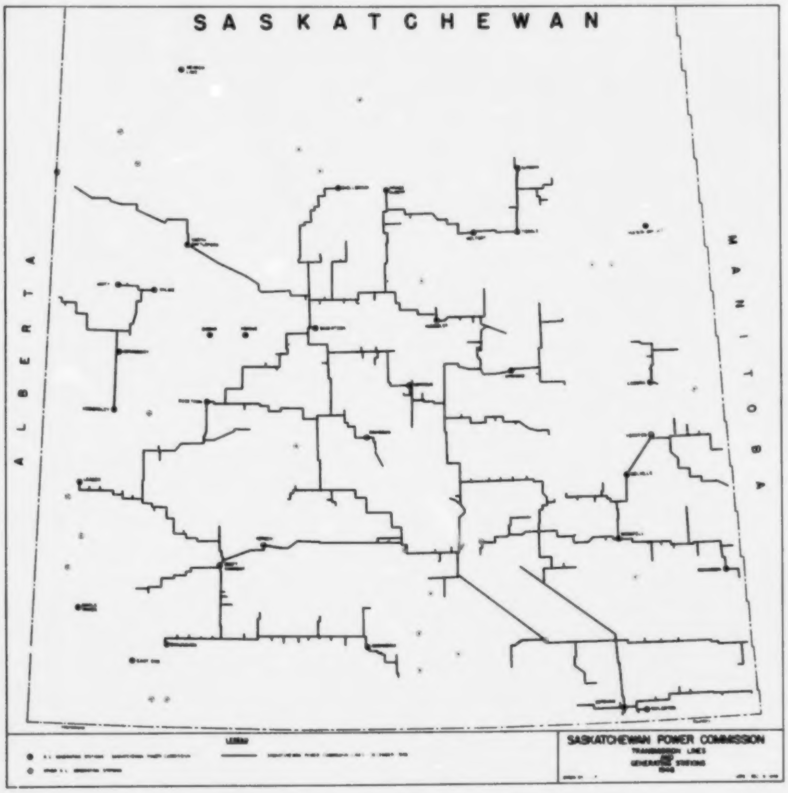


TURBINE ROOM AT THE COMMISSION'S SASKATOON GENERATING STATION, 1948. New 15,000 kilowatt steam operated generator in foreground. (S.P.C. Photo Collection)

During the year the Commission had converted an accumulated deficit of about $75,000 to a surplus of approximately $340,000. A second significant item was the announcement that the Saskatchewan holdings of Canadian Utilities Limited would become part of the publicly owned system on January 1, 1947.

The purchase of Canadian Utilities' properties was undertaken in part to facilitate Commission expansion northward from the Estevan area. Development in that direction involved establishment of additional connections between Commission lines and the company's Indian Head-Grenfell and Yorkton-Saltcoats systems.[50] And purchase was desirable for other reasons too. H. R. Milner, president of the firm, stated in a letter to Berry: "We quite appreciate that in order to round out the Commission's system, our properties are essential . . . ."[51] Discussions began in August and dragged on for some months, at which time the Commission agreed to pay $3,600,000 for the firm's Saskatchewan holdings, except Lloydminster, somewhat more than its initial offer of $3,200,000 but substantially less than the $5,500,000 Milner initially asked for all property in the province.[52]

In 1947 the material and equipment situation eased slightly, although long poles and insulators remained very difficult to obtain. In some cases stocks for projects lay on sites for fourteen months awaiting the arrival of these items, while other lines were completed thanks to borrowed material.[53] Yet during Berry's last two years as Commissioner, the expansion program carried out under his supervision did much to convert the province's utilities from a maze of unconnected transmission lines, isolated plants and dead-end lines into a series of loops and lines through which energy could flow from two or more generating stations, thereby reducing the possibility of interruptions to service and, in some cases, permitting the movement of more power from larger plants. A large loop, for example, was formed in the southwest by construction of a line from Swift Current to Moose Jaw via the Herbert-Morse system. Others tied together the Saskatoon, Prince Albert, Tisdale, North Battleford and Wynyard systems. The

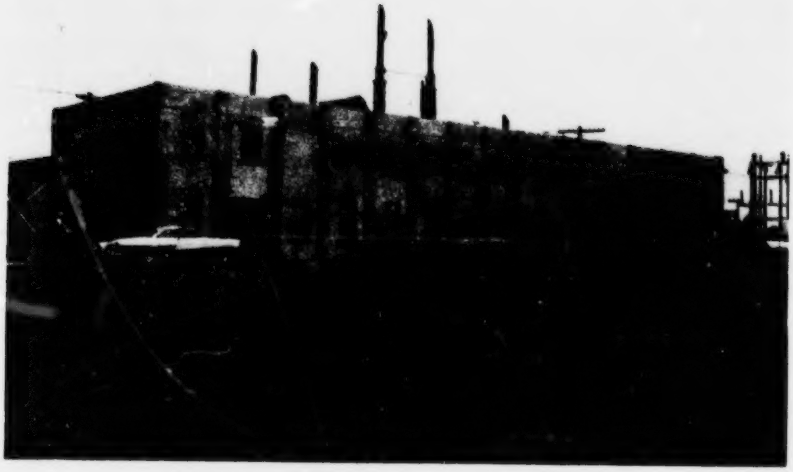


Map 4. Saskatchewan Power Commission Electrical System, 1948. (Courtesy S.P.C.)

Commission also undertook a major project in the northwest, a badly neglected area.[54] All told, during these years its isolated plants were reduced from thirteen to six and its isolated transmission systems from seven to two, both of which were to be connected with the main system the following year.[55] As a result, the creation of the province's primary grid, begun by Thornton and the private companies, was well on the road to completion.

During 1947 and 1948 Commission generating capacity also increased significantly. Commencement of operation of the 15,000 kilowatt unit at Saskatoon permitted the overhauling of equipment which had been running almost continuously for ten years. Acquisition of a 5,000 kilowatt turbogenerator from the United States War Assets Corporation facilitated the immediate establishment of a larger base load plant at Estevan than had been originally contemplated, and purchase of suitable equipment from the same source enabled the Commission to establish a three unit, natural gas-fueled generating station at Unity. The latter development was timely as diesel fuel, never a source of cheap power for a large system, was not only in short supply but rapidly rising in price—forty-five percent during an eight month period in 1947-48. The Prince Albert steam plant was also expanded by 7,500 kilowatts when a unit ordered by Canadian Utilities arrived. In addition, significant expansion took place at the Swift Current and Wynyard diesel plants while a new station was erected at Moosomin for peak load, emergency and voltage regulation purposes.[56] Useful machinery, released by construction of transmission lines, was also moved from place to place in an effort to meet rapidly expanding demands for power. Yet in spite of everything that was done there never was enough capacity to go around and provide anything like a satisfactory reserve. Requests for service came almost daily, while complaints like that of Eston — "This town pays you over $2,500.00 a year for service charge alone but we are not getting the service"—were only slightly less regular.[57]

The last four years in which the publicly owned utility operated as a Commission—it became a Crown Corporation in 1949—also witnessed its first general rate reductions. Four reductions, one each year, lowered the maximum charge per kilowatt-hour from as high as fifteen cents to eight cents and reduced monthly service charges. These changes were partly designed to bring uniformity to the organization's rate structure. In the future all communities would be considered as part of a single system. Previously various sections of the territory served by the Commission had been dealt with as separate units with respect to rates, reductions being dependent upon the particular unit of which a community formed a part showing an excess of revenue over expenditures.[58] The changes also made for simplicity in billing and accounting. Berry's reasons for granting them were disclosed in connection with the 1946 reduction. In recommending it to Phelps he stated that Commission rates were abnormally high compared with those of private companies in the province and with rates in neighbor-



UNITY POWER PLANT, 1956. (S.P.C. Photo Collection)

INTERIOR VIEW OF NATURAL GAS-FUELED GENERATING STATION AT UNITY, 1957 (Saskatchewan Archives) ing provinces, that reductions would increase consumption, improve revenue and offset themselves in a short time, and that they would improve public relations and forestall petitions for such adjustments. Berry's finesse in public relations appeared in the timing of the reduction: "It is our intention," he stated, ". . . to make it effective with the May or June readings, as the reduction will come more forcibly to the attention of the consumers at a time when electric bills are dropping through smaller consumptions due to longer hours of daylight."[59]

While he was Power Commissioner, Berry also took the first steps in opposition to the Commission's practice of selling electricity wholesale to municipalities. By the mid-forties Moose Jaw, Prince Albert and Yorkton, together with certain towns, Melville among them, noting the profits some cities were making on electricity, regretted having sold their utilities, especially their distribution systems. Prince Albert and Yorkton conducted discussions with the Commission with a view to resuming ownership prior to and during the war, but for various reasons dropped the matter. Early in 1945, shortly after the Government purchased Dominion Electric, Melville broached the subject. From conversations with municipal officials Berry judged that their main concern was the possible loss of tax revenue.

In briefing Phelps on the subject Berry summed up his opposition to municipal operations, implying that it was wasteful, inefficient and would become impractical. Under complete Commission operation, the Melville staff could handle an adjacent area as well as the town. Municipalities retailing current tended to forget service at cost and to use the utility as a device for raising revenue in preference to collecting higher taxes. This resulted in excessive rates, restricted the use of electricity and produced complaints that rates were high where the Commission furnished power, though the real fault was the municipality's tax collecting methods. More than that, load building could not be carried out advantageously. The Commission would take off-peak loads at low rates in order to utilize equipment to best advantage, whereas a municipality, concerned with profit only, would have no interest in doing so. Last but not least, with transmission lines supplying current from a number of sources, it would be difficult to determine the actual cost of power delivered to an individual municipality. On the basis of these considerations, Berry told Phelps, he had discouraged Melville from seeking its distribution system, a move in which Phelps concurred.[60] The matter, however, was not urgent at the time as Dominion Electric which served Melville operated as a subsidiary of the Commission and continued to pay taxes.

The acquisition of Canadian Utilities' holdings reopened the whole question since the firm served both Prince Albert and Yorkton. Immediately following announcement of the purchase, officials of the two cities expressed fears that tax revenue would be lost.[61] The Government thus appointed a committee to study the subject and, as a result, authorized the Commission to pay five percent of gross revenue earned in any urban municipality to that municipality and to collect a five percent surcharge on all electrical accounts of customers in an urban municipality for any municipality so desiring as payment in lieu of taxes.[62] On this basis, new agreements were offered to the two cities.

The proposals made to Yorkton were quite straightforward. Essentially the City was offered the surcharge arrangement plus the standard Commission rate schedule which would reduce rates by about fifteen percent.[63] The municipality, however, rejected the terms and served notice that it would take over the distribution system the following year. Convinced that Yorkton officials were bluffing, Berry set out to maneuver them into the type of agreement he thought best, one whereby the Commission would retain distribution.[64]

That Berry was able to gain his ends was due in part to the terms governing repurchase contained in the 1928 agreement between Yorkton and Canadian Utilities. Under the terms the City could repurchase the distribution system with or without the power plant. In either case the price would be actual replacement value as a going concern plus ten percent after allowing for depreciation and obsolescence. Such conditions would have worked to the City's disadvantage since appraisal would probably have set replacement values high owing to scarcity of electrical equipment. Furthermore, another clause in the agreement practically nullified the City's right to purchase only the distribution system. By it the City agreed that if it took over distribution, it would not take any legal action to force the company to supply power in bulk. Thus if Yorkton wished to resume distributing, it would find itself forced to buy the entire utility or construct a new generating station.[65]

Knowledge of the implications of the terms no doubt strengthened Berry's conviction that Yorkton would not do what it said. Consequently, after consulting the Government, he informed the City that steps would have to be taken at once to have the utility appraised by a competent party, preparatory to take-over by the municipality. He also advised city officials that the Commission was providing for a new unit for the local plant in its estimates but would be unable to place the order until the fate of the utility was known.[66] Shortly thereafter he added that nothing in existing agreements obliged the Commission to furnish the City with power. Yorkton responded sharply, charging that the Commission did not appear to have a definite, uniform policy for all cities. Their suspicions were correct; a beginning was being made in establishing a new one. Simultaneously the Council asked a number of questions. If the City took over distribution, would the Commission supply energy? Is it the policy of the Commission to supply power at cost? Will the Commission extend the franchise agreement according to the terms contained in it?[67]

Berry's approach softened, perhaps partly as a result of a meeting between Premier Douglas and the Mayor of Yorkton during which Douglas stated that his Government was not interested in distribution, wanting only generation. He replied that although the agreement contained no provision whereby the Commission would supply power in bulk, this would be done at a price which would "include all expenses in connection with the operation of the Yorkton generating station as determined by the Commission."[68] The condition would have placed the Yorkton generating station and energy costs to the City under complete Commission control unlike the situation existing at Saskatoon, Swift Current and North Battleford. Negotiations continued until May when agreement was reached, the City accepting a fifteen percent rate reduction, the surcharge, and five percent of the gross revenue earned in the municipality by the Commission. In addition, the City retained its right of repurchase which could be exercised at the end of each ten-year period on previous conditions. Berry judged the agreement to be fair, believing that unless circumstances changed considerably there was little likelihood of the City repurchasing.[69]

The full significance of the agreement, however, was not so much the terms worked out in the settlement itself as the principles involved and the effects of the agreement. Yorkton was the first city to accept a retail contract with the Commission. Likewise, Berry's attempt to redefine "service at cost" was the first step toward arrangements which were eventually worked out when new agreements were signed with Saskatoon and Swift Current in the mid-fifties. As a result of the agreement, Yorkton entered the Commission as a full partner, not only receiving the benefits of a growing power system but also contributing towards its costs. This was a very important step toward integration of power facilities. Among the cities served by the Commission at the time Saskatoon, North Battleford and Swift Current had complete control of distribution. Much worse, the last city had long been "free loading" on the Commission, while the others were reaping the benefits of expansion yet scarcely paying their own way.

During his term of office Berry failed to reach agreement with Prince Albert. However, his handling of the question may have prepared the way for future settlement. In opening negotiations, the Commission offered terms similar to those granted to Yorkton, but proceedings bogged down on the question of repurchase of the utility by the municipality. Under its Canadian Utilities agreement the City had the privilege of repossession on January 30, 1951 and wished to retain it since agreements with Saskatoon, Swift Current and North Battleford would have to be renegotiated in the not too distant future. The Prince Albert Council regarded the repurchase clause as a trump card to be played at the most opportune moment in an effort to improve the City's financial position.[70] The Commission therefore attempted to keep relations with municipal officials as cordial as possible. It promptly paid the municipality the portion of gross revenue due under previous agreements. In addition, at the request of City Council it instituted its proposed rate reduction in 1947 and, of its own accord, reduced rates again the following summer. Indeed, at the City's request it added a five percent surcharge to bills for transfer to the municipality, though such a practice lacked legal status in the absence of an agreement between itself and the City.[71] Thus while serving Prince Albert on a retail basis and keeping the way open for retention of the distribution system, the Commission built up good will for the future.

Berry's contacts with other cities were more limited and partly a result of determination to make those associated with the Commission contribute toward the benefits they were receiving or to prevent unfair advantage being taken of his organization. When Prairie Power was purchased, the Commission obtained a connection with Weyburn through which power was exchanged. Berry ended the practice. He discovered that the municipal utility, short of capacity at its own plant, drew heavily on the Commission during peak load periods, endangering equipment at Moose Jaw and forcing the interruption of service from there to Estevan for safety reasons. Then rather than pay for the service taken, it fed energy into Commission lines during off-peak hours, reducing the use the Commission could make of its own facilities.[72]

Berry also took action on the administration charges payable by North Battleford, Saskatoon and Swift Current. In discussing the matter with Phelps he stated: "We believe that it is unreasonable to permit these cities to make large profits when the Commission assumes all the investment risk and responsibility for operating the plants and when any deficiencies in the charge to the three cities must be borne by consumers in towns, villages, hamlets and rural areas."[73] To avoid arousing the councils, Berry increased assessments by smaller amounts than he judged proper. Nonetheless, the grumblings of the Swift Current Council were of a tone which suggested that the municipal treasury was being looted.[74]

By Order-in-Council on February 1, 1949 the period during which the Saskatchewan Power Commission functioned as both an operating and regulatory body came to a close. The Commission lived on but was confined to purely regulatory duties. Operation of the utility was turned over to a Crown company, the Saskatchewan Power Corporation. At the same time Berry resigned as Commissioner to resume management of National Light and Power. In doing so, however, he became and remained a member of the Board of Directors of the new corporation until the fall of 1950, assisting in giving continuity of policy and purpose to the organization. Phelps lost his seat in the legislature in the 1948 election. However, he too remained with the utility as a Power Commissioner and then as a member of the Board of Directors, but only long enough to assist in drafting a policy on rural electrification which was embodied in the Rural Electrification Act of 1949.[75] During their terms of office significant starts had been made in a number of directions; nevertheless, as was indicated during the interval, much remained to be done.

In the summer of 1945 the Commission hired Professor David Cass-Beggs, electrical engineer, consultant and member of the faculty of the

University of Toronto, to conduct studies to prepare the way for action on a program of rural electrification after it had consolidated the properties of various private companies with its system. In the course of completing the assignment Cass-Beggs not only dealt with rural electrification but also developed basic plans and made recommendations concerning a province-wide, integrated power system, at the same time analyzing activities in the provincial electrical field during the preceding generation.

Looking back from 1947, he pointed out that it was twenty years since the Saskatchewan Power Resources Commission had been appointed to inquire into the economic practicability of generating power at central stations and water power sites and distributing it throughout the province to eliminate the multiplicity of uneconomic small plants. During the interval the Commission and private companies, spreading out from selected cities or areas, had constructed a fairly extensive distribution system. A number of towns were served by transmission lines, but many isolated plants remained. The loads of the three major cities had been developed so that relatively cheap power was supplied to their inhabitants, but they remained separate urban units, with the result that the advantages of the lower distribution costs obtainable in densely populated areas accrued not to the province as a whole but simply to the cities of Regina and Saskatoon and the owners of the private company at Moose Jaw.[76] The Saskatchewan Power Commission, Cass-Beggs declared,

> does not appear to have followed any distinctive policy and in its activities it could be regarded simply as one of the power companies operating in the Province and serving what loads it could conveniently serve. There was apparently no attempt at an overall plan for low cost power supplies to all the important populated areas of the Province. . . . The policy of private companies in the power field is to supply the most profitable loads with the minimum capital cost. This policy does not provide for long-term planning nor for construction of line capacity to supply all future loads. It leads to the practice of putting in the cheapest line of low capacity and connecting the most profitable loads up to the capacity of the line. New loads are only added if it can be shown that each one will in itself be a paying proposition after it has been charged with all the extra costs . . . to supply it. The usual result is that a limit is reached beyond which no further extension is considered economic. That part already supplied is small, too small for efficient service, so its rates remain high, consumption is small and growth is very slow. This is generally speaking the policy which has been followed by the companies operating in Saskatchewan, the Saskatchewan Power Commission included.[77]

Cass-Beggs went on to assert that the desirable policy for public enterprises was long-term planning for the needs of an entire area in which each unit of construction would be designed as part of the ultimate development. All loads in the area would be provided for and connected up irrespective of whether each one individually would be profitable. The much larger load of the complete scheme would permit maximum economy in generation, while reduced rates would produce greater loads, further economies and further rate reductions. "It is not clear," Cass-Beggs stated, "whether the Saskatchewan Power Commission ever had the opportunity to plan in this fashion, it is certain that no such planning has been done. The depression followed by the war occupied most of the 20 years since the start was made, but it is by no means clear that the picture today would have been appreciably different had these factors not intervened."[78]

Coming to the immediate past, he pointed out that since the absorption of most of the private companies a beginning had been made in a policy of rate reductions with satisfactory results but that the extent of reductions was small and further progress severely impeded by the general state of generation and transmission facilities. Any such policy had to be backed by a complete power plan for the province, designed to utilize fully the cheapest power resources and to transmit power in adequate amounts to load centres.

That continued application of the policy was impractical under existing circumstances was clear. Continuing, with respect to the Commission and its system, he asserted:

> . . . there remain many small and inefficient plants on the network. . . . While the Power Commission is aware of the desirability of eliminating these smaller plants, especially with the rising costs of diesel oil, the plants at load centres are essential at the present time since the network has not the capacity to transmit the required power from the more efficient plants. Very considerable reinforcement of the network will be necessary before these smaller plants can be eliminated and indeed before any appreciable new load can be added. The present position, because of this dependence on small plants for extra power (at peak load) is that the cost per unit of supplying more energy is increasing rather than decreasing as would normally be the case with adequate transmitting facilities. This sets a very definite limit to the progress that can be made in rate reductions, since the extra demand created can only be supplied from the local, more expensive energy sources. It is impossible to consider the connection of the new load that any general scheme of farm electrification would involve, or even the normal growth of existing loads, without undertaking a thorough revision of primary power supplies and the distribution network.[79]

Enlarging upon and clarifying his discussion of the province's transmission and distribution facilities, Cass-Beggs described them as essentially a low-voltage network designed to distribute small amounts of power over relatively short distances. "The fact that there is . . . a line running 150 miles or more east from Regina to the Manitoba border does not mean that power can be transmitted to all points on this line." Regina power served only the first thirty to fifty miles, while a plant at Grenfell, to be replaced by one at Moosomin, provided for the balance. "This is typical of the system," he declared. "The present situation of the . . . network is that it is essentially fully loaded, with the existing diesel plants fully loaded and insufficient in number to maintain adequate voltage standards for any considerable increase in load. While more power is available at central stations, such as Saskatoon, Moose Jaw, Regina and Estevan, it cannot be used in the network since there is no means of transmitting it to the points where it is required." The only long-term solution was the construction of a high-voltage network "radiating from and interconnecting the main power stations, crossing the existing lines and feeding power to them through substations at many points of intersection."[80]

Like Sullivan, Kipp and Chase, Cass-Beggs called for large plants and integration. This time the call was to be heeded. Among the responsibilities of the Power Corporation, one of the most important would be that of building facilities envisaged by Cass-Beggs and creating a high-voltage grid capable of transferring energy in large quantities as required throughout the province. To the extent that a master plan for expansion by the Corporation may be said to exist, the Cass-Beggs report appears to deserve the title.

Establishment of the Power Corporation was followed by a fairly extensive reorganization. Its engineering department, headed by William B. Clipsham, recently brought in from Ontario Hydro to strengthen engineering and planning,[81] was revamped to include design, estimating, construction and operation of the transmission and distribution systems throughout the province. Its financial department was reorganized with supply and personnel being placed under the comptroller. The latter position, a new one, was filled by Frank Copithorne, formerly control manager for British Columbia Electric. A separate commercial department was established to foster good customer relations, encourage increased use and more fully acquaint the public with the value of electric service. J. R. Sarsfield, formerly assistant business manager of the Manitoba Power Commission, became business manager to oversee the department. Sarsfield was a welcome addition to the Corporation, having played an active role in rural electrification in Manitoba. Changes also took place in the power production department under A. L. Cole, superintendent. For a short time following Berry's resignation, Cole doubled as acting general manager prior to the appointment of John W. Tomlinson, formerly assistant general manager and chief engineer with the Manitoba Power Commission. Finally, the shuffle added a public relations officer, Joseph W. Burton, to the staff. All in all, the utility was put in shape for expanded activities.[82]

Coinciding quite closely with the establishment of the Power Corporation, the available supply of electrical equipment and construction material increased significantly. Checks on expansion took on other though less restrictive forms. Shortages of skilled labor created difficulties of a temporary nature, while the amount of funds placed at the disposal of the Corporation acted as a continuing, moderate restraint.[83] Nevertheless, unprecedented developments occurred during the next decade and a half in the field of rural electrification, integration of the province's power facilities and in the distribution of natural gas. Because of the complexity of these developments and the rapidity with which events occurred, a topical rather than a chronological order will be followed in describing them.

Footnotes to Chapter VI
BEGINNING ANEW

[1] J. F. N. Perry, "Farm Power," undated, Brown Papers, P.C. 10, Rural Electrification, Saskatchewan, A.S.

[2] "H. F. Berry Appointed Commissioner," 2 January, 1945, Phelps Papers, S.P.C.; Interview with J. L. Phelps, 29 January, 1975.

[3] W. H. Schlosser to L. Loeb, 26 June, 1944, D.E.P. No. 227.

[4] Memo by A. Hayworth, February 1944, S.P.C. Legislature, Votes and Proceedings No. 6.

[5] J. L. Phelps stated that he never learned of the agreement, though in charge of the Commission for four years. Interview, 21 May, 1966.

[6] *The Leader-Post* (Regina), 15 July, 1944.

[7] V. Hogg to J. L. Phelps, 11 September, 1944, Phelps Papers, S.P.C.

[8] After a couple of disappointing meetings with Thornton, Phelps concluded that he would have to obtain a new Commissioner if the policies he proposed to pursue were to be implemented. Phelps proposed to fire him, but other members of the cabinet preferred removal by other means. Hence, Thornton was superannuated early in 1945, the year he would reach sixty-five. During his last months as Commissioner, he was simply a figurehead. Interview with J. L. Phelps, 29 January, 1975.

[9] V. Hogg to J. L. Phelps, 11 September, 1944, Phelps Papers, S.P.C.

[10] *Ibid.* The one exception, of course, was Thornton.

[11] *Ibid.*

[12] W. H. Schlosser to L. Loeb, 28 September, 1944, D.E.P. No. 227.

[13] E. W. Bull to Thornton, 26 October, 1944, Phelps Papers, Moose Jaw Power; A. L. Cole to Thornton, 24 October, 1944, S.P.C., National Light and Power No. 1.

[14] A. Hayworth to J. L. Phlelps, 20 October, 1944, Phelps Papers, Moose Jaw Power.

[15] Interview with J. L. Phelps, 21 May, 1966.

[16] H. F. Berry to J. L. Phelps, 26 October, 1944, Phelps Papers, Moose Jaw Power.

[17] Interview with J. L. Phelps, 21 May, 1966.

[18] W. H. Schlosser to L. Loeb, 28 September, 1944, 29 November, 1944, D.E.P. No. 227. According to Phelps, Berry found the Commissioner's position more to his liking than he expected and hence retained it longer than he (Berry) initially intended. No set term of years had been agreed upon. Interview with J. L. Phelps, 29 January, 1975.

[19] W. H. Schlosser to L. Loeb, 29 November, 1944, D.E.P. No. 227. Phelps did not particularly want to import a man and, in fact, also considered Schlosser.

[20] E. C. Morse to Paul E. Peltason, 6 October, 1944, *ibid.*

[21] W. H. Schlosser to L. Loeb, 29 June, 1944, *ibid.*

[22] W. H. Schlosser to L. Loeb, 17 July, 1944, *ibid.*

[23] Thornton to Phelps, 24 August, 1944, Phelps Papers, S.P.C.

[24] Interview with J. L. Phelps, 29 January, 1975.

[25] W. H. Schlosser to P. E. Peltason, 28 September, 1944, D.E.P. No. 227.

[26] Reply, 2 October, 1944, *ibid.*

[27] E. C. Morse to P. E. Peltason, 6 October, 1944, Eric [Morse] to P. E. Peltason, 18 October, 1944, L. Loeb to P. E. Peltason, 7 October, 1944, *ibid.*

[28] From comments by Phelps one gathers that he was the main proponent in a position of authority to advocate much greater use of lignite for power production. Interview, 29 January, 1975. The conclusion is supported by statements by William Riddell, appointed superintendent of the Estevan plant by Berry. Riddell supervised expansion of the plant and had a hand in solving many problems relating to burning lignite. He stated that Phelps was the man who really pushed to make the Estevan station a key element in the S.P.C. Interview with W. R. Riddell, 10 October, 1974.

[29] H. F. Berry to J. L. Phelps, 23 January, 1945, Phelps Papers, S.P.C.

[30] The price paid for the stock was $420,000, sixty percent of the par value of the common stock. See Peltason, Tenebaum Company - Agreement, 24 February, 1945, Sessional Paper No. 56, made available to the author by the Clerk of the Legislative Assembly.

[31] *Statutes of the Province of Saskatchewan*, 1945, Ch. 15.

[32] Operation of Dominion as a subsidiary permitted the Government to leave the debts represented by preferred stock, $493,000, and bonds, $1,100,000, undisturbed until such time as it was in a better position to redeem or refinance them. During 1945 the preferred stock was redeemed, using funds received for the company's property in Manitoba, Alberta and British Columbia, together with a bank loan. See S.P.C. *Annual Report*, 1945, p. 4. This form of operation also permitted the Government to postpone settling the problem created by its acquisition of property on which municipal taxes were being paid. Such taxes continued to be paid under the arrangement, whereas the Commission paid none.

[33] H. F. Berry to J. L. Phelps, 27 February, 1945, Phelps Papers, S.P.C.

[34] H. F. Berry to J. L. Phelps, 15 March, 1945, *ibid.*

[35] H. F. Berry to J. L. Phelps, 27 February, 1945, *ibid.*

[36] H. F. Berry to J. L. Phelps, 23 June, 1945, *ibid.* H. F. Berry to J. L. Phelps, 23 November, 1947, Davies Papers, S.P.C., 1947-1948, A.S. Lines of 66,000 volts were later designated as 69,000 and then 72,000 volts. The five plants closed were at Gull Lake, Willow Bunch, Carrot River, Rose Valley and Kelvington.

[37] H. F. Berry to J. L. Phelps, 23 July, 1945, J. L. Phelps to H. F. Berry, 3 December, 1947, reply, 15 December, 1947, H. F. Berry to J. L. Phelps, 9 January, 1948, Davies Papers, S.P.C., 1947-1948; H. F. Berry to J. H. Brockelbank, 19 October, 1945, Phelps Papers, S.P.C.

[38] *The Leader-Post* (Regina), 24 February, 1945, in S.S.H Vol. 51; A. S. Sibbald to J. L. Phelps, 29 January, 1945, Phelps Papers, S.P.C.

[39] H. F. Berry to J. L. Phelps, 23 July, 1945, reply, 24 July, 1945, Phelps Papers, S.P.C.

[40] A. Blackwood, Deputy Attorney-General, to A. Hayworth, 7 November, 1945, S.P.C., Prairie Power Company, Purchase of.

[41] W. G. Ross, Superintendent, to J. L. Phelps, 22 November, 1945, reply, 24 November, 1945, W. G. Ross to J. L. Phelps, 26 November, 1945, Phelps Papers, S.P.C.

[42] H. F. Berry to J. L. Phelps, 20 July, 1946, S.P.C., Power Development, Fort à la Corne No. 1; *The Leader-Post* (Regina), 8 February, 1945, and H. F. Berry to J. L. Phelps, 18 June, 1945, Phelps Papers, S.P.C.

[43] H. F. Berry to J. L. Phelps, 23 July, 1945, Phelps Papers, S.P.C.

[44] H. F. Berry to Miss E. McKinnon, Secretary to T. C. Douglas, 25 July, 1947, Davies Papers, S.P.C., 1947-1948.

[45] S.P.C. *Annual Report*, 1945, pp. 5-7.

[46] *Ibid.*, pp. 8-9.

[47] *Ibid.*, 1946, pp. 6-9.

[48] H. F. Berry to Mrs. Beatrice Trew, M.L.A., 9 May, 1946, S.P.C., Piapot, Town No. 1.

[49] S.P.C. *Annual Report*, 1946, pp. 8-9.

[50] S.P.C. Minutes, 29 July, 29 August, 1946.

[51] H. R. Milner to H. F. Berry, 16 October, 1946, S.P.C. Negotiations with Canadian Utilities Limited, 1946-47.

[52] S.P.C. Minutes, 29 August, 28 October, 25 November, 27 December, 1947.

[53] H. F. Berry to J. L. Phelps, 10 July, 1947, H. F. Berry to W. A. Tucker, M.P., 12 February, 1948, Davies Papers, S.P.C., 1947-1948.

[54] Berry strongly recommended building a line here to serve the major towns to remove any possibility of Alberta utility promoters offering those communities service by transmission line from Alberta. Interview with J. L. Phelps, 29 January, 1975.

[55] S.P.C. *Annual Reports*, see maps 1946, pp. 7-8, 1947, pp. 7-8, 1948, pp. 9, 11.

[56] *Ibid.*, 1947, pp. 8-10, 1948, pp. 8, 10. See H. F. Berry to City Clerk, Swift Current, 25 July, 1947, S.P.C., Swift Current, Town No. 3, in regard to diesel fuel prices.

[57] Eston Town Council to J. L. Phelps, 11 August, 1945, Phelps Papers, S.P.C.

[58] H. F. Berry to J. L. Phelps, 10 September, 1945, *ibid.*; S.P.C. *Annual Report*, 1948, p. 5.

[59] H. F. Berry to J. L. Phelps, 22 March, 1946, Phelps Papers, S.P.C. That Berry was very capable in dealing with the public is evident from references to his managing of National Light and was confirmed by conversations with his secretary. Interview with Mrs. Mabel Martin (nee Harwood), Kelowna, B.C., September 1974.

[60] H. F. Berry to J. L. Phelps, 20 February, 1945, *ibid.*

[61] *The Prince Albert Herald*, 4 February, 1947, in S.P.C., Prince Albert, Town No. 3; Mayor C. A. Peaker to T. C. Douglas, 18 February, 1947, Douglas Papers, File 4-34, A.S.

[62] S.P.C. Minutes, 28 April, 1947.

[63] *The Leader-Post* (Regina), 2 July, 1947, in S.P.C., Yorkton, Town No. 3.

[64] When briefing Phelps on the subject Berry described his approach as designed "to outfox" the Council. Interview with J. L. Phelps, 29 January, 1975.

[65] A. Hayworth to H. F. Berry, 4 December, 1947, S.P.C., Yorkton, Town No. 3.

[66] A. Hayworth to H. F. Berry, 1 December, 1947, H. F. Berry to H. M. Jackson, city clerk, 11 December, 1947, *ibid.*

[67] H. M. Jackson to H. F. Berry, 5 January, 1948, *ibid.*

[68] Reply, 19 January, 1948, *ibid.* Also see "Council to Review Electric Contract," 1947, S.P.C., Yorkton, Town No. 3. According to Phelps the Premier's action complicated the task of reaching a settlement.

[69] S.P.C. Minutes, 5 May, 1948; H. F. Berry to J. L. Phelps, 15 June, 1948, Davies Papers, S.P.C., 1947-1948; *The Yorkton Enterprise*, 6 May, 1948, in S.P.C., Yorkton, Town No. 3.

[70] A. L. Cole to J. A. Darling, 16 March, 1949, S.P.C., Prince Albert, Town No. 4.

[71] *Ibid.*

[72] H. F. Berry to J. L. Phelps, 1 October, 1947, S.P.C., Weyburn Town No. 1.

[73] H. F. Berry to J. L. Phelps, 28 October, 1947, Davies Papers, S.P.C., 1947-1948.

[74] Though the Swift Current Council knew it was purchasing power below cost, for a number of years it refused to pay the increased charges. See F. J. Ashford to S.P.C., 3 March, 1948, S.P.C., Swift Current, Town No. 3. Swift Current's actions during the dispute bore out some of Berry's arguments in opposition to municipalities handling distribution. The City

raised its electric rates. The new rates, Berry stated, meant that commercial bills would be double the amount paid for the same service under the Commission and were "the highest of any city, town or village in the Province . . . ." See H. F. Berry to J. L. Phelps, 23 April 1948, *ibid.*

[75] Phelps states that he resigned from the Corporation in the spring of 1949 partly because he believed rural electrification was proceeding too slowly, Provincial Treasurer C. M. Fines and George Cadbury of the Economic Advisory and Planning Board being reluctant to push such a program. The occasion for his resignation was a meeting where Fines or Cadbury said people should be encouraged to move to towns and the country left "to the jackrabbits." Interview, 29 January, 1975. According to T. C. Douglas neither Fines nor Cadbury opposed rural electrification. They simply wanted the Government to avoid committing itself to programs it might not be able to finance. Douglas to author, 28 August, 1975.

[76] D. Cass-Beggs, "Report on the Development of the Facilities of the S.P.C. to supply Electric Power to Rural and Farm Areas," October 1947, pp. 1-2, S.P.C. Library.

[77] *Ibid.*, p. 2.

[78] *Ibid.*, p. 3.

[79] *Ibid.* pp. 4-5.

[80] *Ibid.*, pp. 56-57.

[81] S.P.C. Minutes, 28 February, 4 March, 1948.

[82] S.P.C. *Annual Report*, 1949, pp. 5-9.

[83] For an example of a shortage of funds see S.P.C. Minutes, 26 July, 1948.

Part II:

THE POWER CORPORATION PERIOD

Chapter Seven

INTEGRATION I: BUILDING THE ELECTRICAL SYSTEM, 1950-1965[1]

As a result of the program conducted by the Power Corporation, the electrical system serving Saskatchewan was almost fully integrated by 1965.[2] Urban and rural distribution systems and sub-transmission lines from which consumers drew their electricity were energized at numerous locations by a province-wide, high-voltage grid. Consisting of a continuous network of 72,000, 138,000 and 230,000 volt transmission lines interconnecting generating stations and passing through load centres, this grid made the province into a single, large market for electricity. No longer were limited areas or individual communities supplied with power produced in small generating stations the operating costs of which were usually and of necessity high and the service provided all too often of questionable reliability. Rather the unification of the market through the development of the grid made possible the movement of low cost energy throughout the province. In addition, and of no minor significance, Saskatchewan's provincial utility was linked with its counterpart in Manitoba, permitting the two systems to cooperate on a mutually beneficial basis.

For the most part, demands for electricity for domestic, commercial and industrial purposes were met by three major generating stations constructed within the preceding decade. Situated near Estevan on Long Creek, a tributary of the Souris River, and supplying base load power to a large area was the 132,000 kilowatt Boundary Dam Power Station. Surrounded by Saskatchewan's most important coal field, the plant was designed to burn powdered lignite which was mined close by at very low cost. Thanks to abundant supplies of readily accessible cheap fuel, this was the Power Corporation's most important generating station from the long term point of view.[3]

The second major power plant was the Queen Elizabeth Power Station located adjacent to the South Saskatchewan River at Saskatoon.[4] Like the Boundary Dam plant it was primarily a base load station and also consisted of two 66,000 kilowatt generators. However, it was designed somewhat differently. Though better situated with respect to the load on the system, the Queen Elizabeth lay in an area of higher fuel costs. Thus it was constructed to utilize powdered coal, bunker oil or natural gas in order to take advantage of varying prices and availability of such fuels.

The Corporation's third major plant was the Squaw Rapids Hydroelectric Power Station situated on the main stem of the Saskatchewan River northeast of the town of Nipawin. With an installed capacity of 201,000 kilowatts, it was the only hydroelectric station operated by the Power Corporation.[5] By and large, its use was determined by flow conditions of the river. When much water was available it was utilized as a base load carrier for a large portion of the province, whereas at other times it functioned more as a peak load station.

Supplying lesser amounts of base load power, generating additional energy during peak load periods, filling the role of system reserve and stabilizing the transmission system were a number of other generating stations. All told, there were six such plants. A short distance from the Boundary Dam station was the older, lignite-fired Estevan Power Station with a capacity of 70,000 kilowatts. At Saskatoon was the A. L. Cole Power Station, a 108,000 kilowatt plant which evolved from the Power Commission's first power station there.[6] Located at Regina was the 91,000 kilowatt plant erected by the municipality and officially acquired by the Corporation in May 1965 and at Moose Jaw a 25,000 kilowatt plant formerly owned by National Light and Power. The generating equipment in these plants, like that located in the Boundary Dam and Queen Elizabeth stations, was all steam driven, except for a single natural gas turbine at Regina. However, these generating stations comprised smaller, generally less efficient units.

The Corporation's two remaining plants were situated at Swift Current and Kindersley. Though more modern, neither was as large as the Moose Jaw plant. Both were natural gas-fueled stations; the one at Swift Current was designed to utilize diesel fuel also. Located in areas where

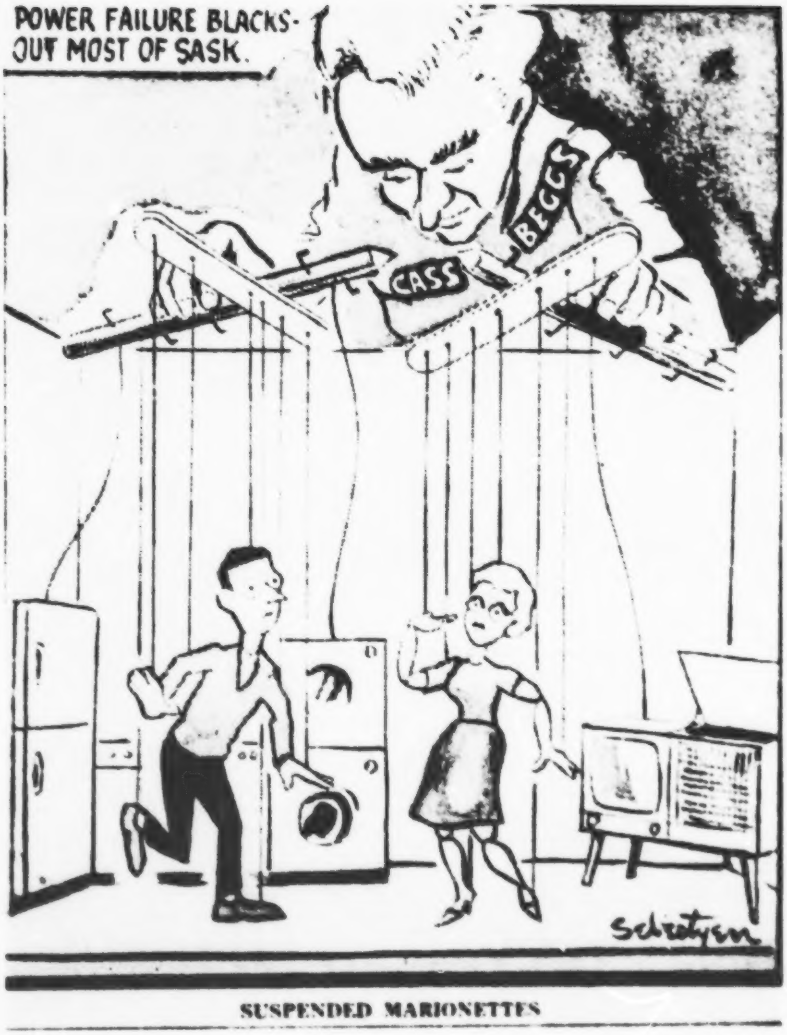

POWER FAILURE BLACKS-OUT MOST OF SASK.
BEGGS
CASS
Schatyen
SUSPENDED MARIONETTES

Fig. 1. A cartoonist's reaction to a January 1962 power failure. (Courtesy *The Saskatoon Star Phoenix)*

cooling water necessary for steam generating equipment was not readily available but supplies of natural gas were close at hand, these plants were developed as an economical means of meeting demands in their respective areas and stabilizing the long transmission lines necessary to reach those portions of the province.

All nine generating stations of the Power Corporation were tied into the high-voltage grid and had been integrated to a degree where it was possible, by means of controls installed in the Boundary Dam and Queen Elizabeth stations, to operate them almost as if they were all housed under a single roof. Thus within certain limits the varying demands for electrical energy throughout the day or year could be met by bringing units into service or taking them out on the basis of their generating costs. Reserve equipment was no longer required for each individual generating station; rather a system reserve had been established for the Corporation as a whole. More than that, when new capacity was required it could be planned and installed, taking into consideration the total needs of the province and the most economical and desirable use of available energy resources.

Numerous questions at once arise concerning how the provincial system evolved from the various utilities in existence in 1949. It is hoped

MAIN CONTROL PANEL, BOUNDARY DAM GENERATING STATION, 1958. (S.P.C. Photo Collection) that in due course the most important of these will be satisfactorily answered. However, since this chapter deals essentially with the physical aspects of the integrated system, no attempt will be made to do so for the moment. Instead only one of the basic factors which led to and necessitated its creation need be mentioned. That was the great and continuous rise in consumption of electricity in Saskatchewan which began in the forties and continued throughout the period. In general, consumption doubled every four years. Without development of an integrated system it is very doubtful if such demands could have been met.

To the extent that it is possible to describe the construction of an integrated power system in a few words, it would perhaps be best to call it a dynamic operation. This is so because such a system can only be created over a period of time during which various factors may exert profound influences on the course of events. In other words, a plan for a system, conceived at the beginning, may, through the continuous reassessment of variables, be substantially modified in a few years. Some illustrations of this may be given. A decisive factor in shaping developments can be the cost of borrowed money. Hydroelectric installations are characterized by high capital costs and low operating costs. Rising interest rates therefore tend to encourage expansion of thermal rather than hydro facilities. On the other hand, increasing fuel and labor costs, since both affect thermal more than hydroelectric operations, will produce a tendency in the opposite direction. On the basis of the foregoing and other considerations decisions to develop certain power resources in preference to others are taken. Such decisions or the appearance of large unexpected loads can produce significant effects in the transmission system. Should it become necessary to transmit larger amounts of energy or to transmit over greater distances, higher voltage lines must be built. For reasons such as these, system planning must be flexible.

Viewed in terms of power plants and transmission lines, integration in Saskatchewan, though it was a continuous process, may somewhat arbitrarily and very broadly be considered as having taken place in four stages: expansion of old plants to their maximum capacity, construction of integrating power lines in the north and northwest (where the Corporation in the early fifties had the greatest measure of control over the electrical utilities situation), establishment of new plants, and building of transmission lines necessary to integrate the remainder of the province. In addition, again in general terms, it may be said that the two stages first mentioned preceded the others.

As the 1950s began the Power Corporation was in the process of increasing its generating capacity and concentrating it at a limited number of sites. Of somewhat over twenty-five power plants those at Estevan, Saskatoon, Unity and Prince Albert were undergoing expansion, a process which continued, particularly at the former two locations, for a number of years. However, none of the four could as yet be considered large. Their total capacity, about half of which was installed at Saskatoon, was roughly 45,000 kilowatts. As well, though the utility had grown significantly during the preceding few years, it was operating only 4,600 miles of transmission lines, serving approximately 58,000 customers and, during the year just ended, had sold slightly over 200,000,000 kilowatt-hours of electricity.[7]

During the years 1950 through 1954 the Corporation completed plans and did much of the work to finish what may be called phase one of integration. It enlarged its Prince Albert plant once, installing a 10,000 kilowatt steam turbine which almost doubled the station's capacity. It increased its plant at Unity to 6,500 kilowatts by the addition of natural gas-fueled units totalling approximately 4,000 kilowatts between 1950 and 1953. Meanwhile expansion on a much larger scale took place at Estevan and Saskatoon. At Estevan it added a 15,000 kilowatt turbine in 1951 and one of 20,000 in 1953, while at Saskatoon it installed a 25,000 kilowatt unit in 1952 and another in 1953. Finally, in 1954 it decided to add a further 33,000 kilowatts at Saskatoon and 30,000 at Estevan for service by the end of 1956. Installation of these units carried expansion of the two plants to the limits laid down by physical conditions: limitations of space and site at Saskatoon and of water supply at Estevan. When completed the plant at the former community had attained the size of 108,000 and at the latter 72,000 kilowatts.[8]

TABLE 1: GROWTH OF THE S.P.C. ELECTRICAL SYSTEM

Year	Number Communities Served	Number of Customers	Installed Capacity in KWs.	Kilowatt Hours in Millions		Electric Plant at Cost in Thousands $
				Generated	Purchased	
1949	400	57,855	58,395[2]	180	21	26,223[2]
1950	456	63,500	59,270[2]	236[3]	—	29,846
1951	540	72,700	74,270[2]	279[3]	—	37,306
1952	613	86,575	109,270[2]	300	32	48,688[4]
1953	663	100,100	111,160[2]	359	39	65,025[4]
1954	704	111,000	158,660	429	44	82,199[4]
1955	767	123,300	160,910	520	36	82,749
1956	828	134,990	202,950	623	37	102,066
1957	863	146,759	235,720	743	38	127,036
1958	893	157,345	327,260	880	28	158,902
1959	907	166,703	450,260	1,128	19	186,335
1960	940	176,600	548,060	1,330	3	227,670
1961	945[1]	193,242	546,550	1,613	0.2	242,460
1962		197,816	540,150	1,756	21	255,432
1963	948	201,613	619,150	1,999	56	325,262
1964		206,053	694,150	2,329	6	366,607

1. Provision of service to almost all hamlets completed
2. Estimated
3. Included power purchased
4. Includes capital expenditures on natural gas system

Source: S.P.C. *Annual Reports*

Complementing expansion of generating stations was construction of the high-voltage grid. During 1950 the Corporation built a 69,000 volt line—capable of being converted to a much higher voltage—from Prince Albert to Tisdale. The following year the line was extended to Nipawin and an extension constructed from it at Beatty to Watrous via Humboldt. During 1952 a similar sized line was strung from Saskatoon to Wynyard, hooking up with the Watrous extension at Wolverine. The Saskatoon and Prince Albert plants and the areas served by them were thus integrated.

Before this last project had been completed the Corporation commenced others elsewhere. In 1952 it interconnected its North Battleford and Unity plants by a 69,000 volt line which it extended to Kindersley the next year. Then with construction of additional high-voltage line linking Saskatoon and North Battleford in 1953, all major plants in the north and northwest were tied together in an integrated system.

Though integration took place mainly in the north and northwest during the early fifties, the Corporation also made some progress in the south and southeast. During 1952 and 1953 it built a high-voltage line from Estevan to Weyburn, extending it to Assiniboia the following year, at which time a second heavy transmission circuit between Estevan and Yorkton was also partly completed.[9]

From the foregoing it is obvious that by the end of 1954 the Corporation's integration program was fairly well advanced. As well, it had already been productive of quite substantial results. Generating costs had fallen, larger quantities of economically produced power from major steam and natural gas plants being made available over a much wider area. Diesel plants at Tisdale, Moosomin, Watrous and Biggar, among others, had been closed down and those at Wynyard, Humboldt, Kindersley and Assiniboia placed on a stand-by basis. In addition, the Corporation had gained flexibility with respect to installation of machinery. For example, delivery of equipment to meet demands for power at Saskatoon during the winter of 1951-52 was delayed. Without integration a temporary unit might well have been installed only to be removed when the one on order arrived. However, since Saskatoon and Prince Albert were then being integrated, it was possible to install a unit at Prince Albert and transfer part of the Saskatoon rural load to it.[10]

The first five years of the 1950s were also significant for other reasons. It is doubtful if any period in the provincial utility's life had witnessed as much planning and reassessment of proposed projects as it did. In addition to such work conducted in connection with rural electrification and distribution of natural gas, much study was given to developing alternative power resources. And it was on the basis of such studies that decisions underlying stages three and four of integration were made.

As the decade commenced it became possible that the province's power system might soon rely on hydroelectric plants as a very important source of energy. Ever since the 1930s there had been periodic discussion

COMMISSIONING THE FINAL UNIT INSTALLED IN THE PRINCE ALBERT GENERATING STATION, A 10,000 KILOWATT STEAM TURBINE PURCHASED FROM THE CITY OF EDMONTON, 1952. Left to right in foreground: John W. Tomlinson, R. Richard Keith, the Honorable James A. Darling and Albert L. Cole. (S.P.C. Photo Collection) of harnessing the South Saskatchewan River for power and irrigation and the main stream of the Saskatchewan at Fort à la Corne for power. Shortly after the war the H. G. Acres Company, which had investigated the Fort à la Corne site for the Power Commission in 1931, was retained to bring its report up to date. In doing so in 1946 the firm recommended that the project be not undertaken until power consumption had increased sufficiently to permit the transmission of energy from there to load centres at costs below those obtainable by steam generation. Four years later it was judged that construction of the project for operation by the end of 1955 might be economically practical.[11]

On the basis of such a belief the Honorable J. A. Darling, minister in charge of the Corporation, announced in the legislature in March 1951 that preliminary studies would be instituted. Power consumption in the Saskatoon, Prince Albert and North Battleford region, he stated, would reach 400,000,000 kilowatt-hours per annum by 1955, making it possible to meet the condition set forth by the Acres Company. The cost of the undertaking, Darling asserted, had been estimated at $17,000,000 to $18,000,000.[12] Hopes, however, were soon dashed. Further investigations by Acres and the Shawinigan Engineering Company placed the costs between $30,000,000 and $34,000,000 due to rises in the prices of steel, concrete and labor. Thus the scheme had to be temporarily shelved. On the basis of the

Prince Albert generating station, 1955. (S.P.C. Photo Collection)

new estimates it appeared that the northern region would be able to absorb enough energy to make it practical in 1958; however, there were many "ifs" and "buts" concerning construction costs, interest rates, and availability of capital which would have to be periodically reviewed.[13]

During much of the time the Fort à la Corne project was being seriously considered, the South Saskatchewan power and irrigation scheme was receiving attention. From the point of view of power development the latter scheme was important not only for the energy which would be generated at the dam site but also because it would stabilize flow conditions of the river somewhat with resultant improvements in the economics of Fort à la Corne.[14]

Early in 1947 the Right Honorable James G. Gardiner, federal Minister of Agriculture, announced that a site for a dam on the South Saskatchewan River had been located about twenty miles north of Elbow and expressed the hope that he might be able to report upon it further before long.[15] Within six months an interim report on the project by the Prairie Farm Rehabilitation Administration was tabled in the House of Commons. It indicated that construction of a huge earth fill dam would provide for the irrigation of 500,000 acres of land and make available a large block of electricity. Ten years were deemed necessary to carry out the scheme and, the P.F.R.A. stated, two years would be required to complete studies and draft plans.[16]

Roughly three years later, in June 1950, investigations having been completed, Gardiner stated that it might be possible to proceed with the dam when the Provincial and Federal Governments had reached agreement on its financing. Estimated costs were $102,000,000. Negotiations between Regina and Ottawa commenced immediately.[17] Early the following year Saskatchewan signified its readiness to accept responsibility for expenditures totalling $33,000,000, $8,000,000 of which would be used to construct a power plant and the remainder for irrigation, the national treasury bearing the costs of the dam itself, $68,000,000.[18] No agreement was reached, however. Instead federal authorities decided to appoint a commission to inquire into the advisability of the project. In appointing its members Prime Minister Louis St. Laurent asserted that it would determine "whether the economic and social returns to the Canadian people of the investment . . . would be commensurate with the cost thereof and . . . whether the . . . project represented the most profitable and desirable use which could be made of the physical resources involved."[19] Roughly eighteen months later the investigation was concluded. Estimating that the cost of the scheme would be about $250,000,000 and predicting that in thirty-five years it would show a deficit of $310,000,000, the commissioners in effect rejected it as currently uneconomic.[20]

Given the commissioners' report and, perhaps of greater significance, its own conclusions regarding Fort à la Corne, it was quite evident by 1954 that the Corporation would have to rely on other types of generating stations at least for the next few years.[21] And since it was estimated that by 1960 electrical consumption in the province excluding Regina and Moose Jaw would rise to 900,000,000 kilowatt-hours, plans had to be adopted for expansion to meet such demands.

Formulation of plans for construction of the Corporation's new generating stations, which were erected in the middle and latter part of the decade, began considerably earlier. In 1953 it placed orders for equipment, designed to operate on either natural gas or diesel fuel, for a new 2,500 kilowatt plant at Swift Current.[22] The discovery of natural gas in the area presented the opportunity to reduce power production costs in the southwest significantly while the oil industry springing up there was creating additional demands for electricity.

A few months later plans eventually leading to the establishment of the Boundary Dam and Queen Elizabeth stations also began to take on their final form. In recommending expansion at Saskatoon and Estevan to meet demands in the winter of 1956-57, R. Richard Keith, power production superintendent, discussed site limitations at the former location and cooling water problems at the latter. He pointed out that such difficulties might be overcome by obtaining additional water from Long Creek near Estevan and establishing a second plant on the South Saskatchewan River at Saskatoon or near the site of the proposed power and irrigation dam.[23]

KINDERSLEY POWER PLANT, 1956. (Saskatchewan Archives)

However, it was not until about a year had elapsed that a decision to erect the two new plants was made.[24]

When fully developed, plans for the Boundary Dam and Queen Elizabeth generating stations called for the installation of 264,000 kilowatts of capacity at each location. Both were to be constructed in four stages, during each of which a 66,000 kilowatt generator and ancillary equipment would be installed in both plants. Dates set for stages one and two were 1958 and 1959, stage three following in 1961 or 1962 and stage four in 1964.[25] The estimated cost of each plant was about $40,000,000. Despite such similarities the plants, as already indicated, were designed somewhat differently because of the types of fuel they were to utilize. Besides, the Boundary Dam project was in some respects the larger of the two undertakings. In order to establish the plant the Corporation had to dam Long Creek, thereby creating a reservoir in which to impound cooling water. More than that, to be assured of fuel supplies, it also purchased some nearby coal lands and arranged to have lignite strip mined under contract.[26] Work began at the two sites in the fall of 1956, stages one and two being completed on schedule at Saskatoon and a few months later at Estevan.

While the Boundary Dam and Queen Elizabeth plants were being established, the Corporation completed its new Swift Current generating station. The addition of units in 1955, 1956 and 1957 brought it to its planned capacity of 14,500 kilowatts. At the same time a new plant, housing two gas turbines and three natural gas engines, was erected at Kindersley, its capacity varying from 22,000 to 29,000 kilowatts depending on atmospheric temperature.[27]

While the four new thermal and internal combustion stations were being constructed, the Corporation kept its planning sufficiently flexible to permit deferring additions to their capacities in order to accommodate hydro developments if they became practical.[28] The Conservative victory in the federal election in 1957 brought hydroelectric power a step closer. In 1951 the Conservative leader, George Drew, had endorsed the South Saskatchewan River project in the name of his party and had called upon the St. Laurent administration to proceed with it the following year.[29] Consequently, in 1958 Prime Minister Diefenbaker and his colleagues redeemed the pledge by reaching agreement with provincial authorities on the division of costs and authorizing construction of the dam, an undertaking which would not be completed until 1967.[30]

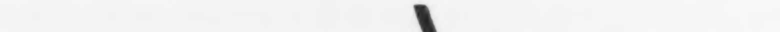
Influenced by the decision of the central government to proceed with the South Saskatchewan River scheme, the Corporation concluded in 1959 that it would be advisable to develop hydroelectric power at Squaw Rapids in preference to increasing the size of the Boundary Dam station in the immediate future. Somewhat over two years earlier, investigation of that site together with the one at Fort à la Corne and another at Nipawin had been undertaken by Crippen-Wright, consulting engineers of Vancouver, to keep long-term hydro studies of the Corporation up to date.[31] After surveying the locations the consultants selected Squaw Rapids as the best of the three. Among other things, most water could be stored there for use in winter and handling of the river presented the least difficulties, while geography indicated that the fall from two sets of rapids, Tobin and Squaw, could be utilized and a smaller and cheaper concrete spillway constructed since a natural emergency spillway existed.[32] The project required the construction of an earth fill dam above Tobin Rapids and the excavation of a power canal three miles in length from the dam site to the immediate vicinity of the powerhouse below Squaw Rapids. Since the river fell considerably between the two points the use of the power canal meant that while the head of water was only eighty feet at the dam itself it was 105 feet at the powerhouse.[33]

In announcing the project the Honorable Russ Brown, minister in charge of the Corporation, stated that the plant would include six generating units totalling 201,000 kilowatts and would be capable of producing over 1,000,000,000 kilowatt-hours of electricity initially and somewhat more when the South Saskatchewan scheme was sufficiently advanced to provide more effective control of the river. The tremendous expansion the Corporation was undergoing was underscored by Brown pointing out that Squaw Rapids would produce more electricity annually than had been generated by all plants on the system during the preceding year. Costs were estimated at $46,500,000.[34] During construction it was decided to build two additional penstocks and provide space in the powerhouse for installation of a seventh and eighth generator later, as a means of providing economically priced peak load capacity when needed. Between April 1963 and March 1964 the six units were completed and placed in service.[35]

While the establishment of the Corporation's generating stations up to and including 1964 has been briefly discussed in the preceding paragraphs, almost all of the major essential components of a province-wide, integrated power system had been completed a few years earlier. Actually, with the completion and interconnection in 1959 of the first 66,000 kilowatt units at the Queen Elizabeth and Boundary Dam stations, such a system was potentially in being. Generating capacity subsequently installed might be described as being necessary to meet load growth and heavy transmission lines built after that time as being designed for such purposes as reinforcing the high-voltage grid. However, establishment of such facilities has been mentioned because it was not until 1964 that arrangements were worked out to bring the last city into the provincial system, making practical the final steps in integration.

As the reader will have noted phase four of integration (the building of transmission lines to complete the program) continued uninterrupted from phase two (the construction of integrating lines in the north and northwest) and coincided with phase three (the establishing of new power plants). During 1955 the Corporation completed a second 72,000 volt circuit from Estevan to Yorkton, permitting the southeastern portion of the province to be served by alternative circuits. The following year it strung a line of similar voltage from Swift Current to Maple Creek and Shaunavon. Simultaneously it also joined together Saskatoon and Hawarden and Weyburn and Regina by 72,000 volt circuits. However, in the latter two instances the lines were designed for conversion to 138,000 volts. Construction of lines from Boundary Dam to Weyburn and from Regina to Hawarden via Pasqua and Moose Jaw during 1957 and 1958 completed a 138,000 volt circuit from Estevan to Saskatoon. At the same time a connection of equal capacity was erected between Yorkton and Wolverine, while others having a capacity of 72,000 volts joined North Battleford to Meadow Lake and Kindersley to Swift Current.[36]

October 1958 marked a milestone in provincial electrical developments. Late that month almost all active generating stations in the province, except that of National Light and Power at Moose Jaw, were operated on an integrated basis. Taking part in the operation were the Corporation's plants at Saskatoon, Estevan, Kamsack, Prince Albert Unity, Kindersley and Swift Current, as well as the municipally owned plants at Weyburn and Regina. About 1,600 miles of high-voltage transmission lines interconnected the various stations. The hookup followed close on the heels of the first temporary integration of Saskatoon, Estevan



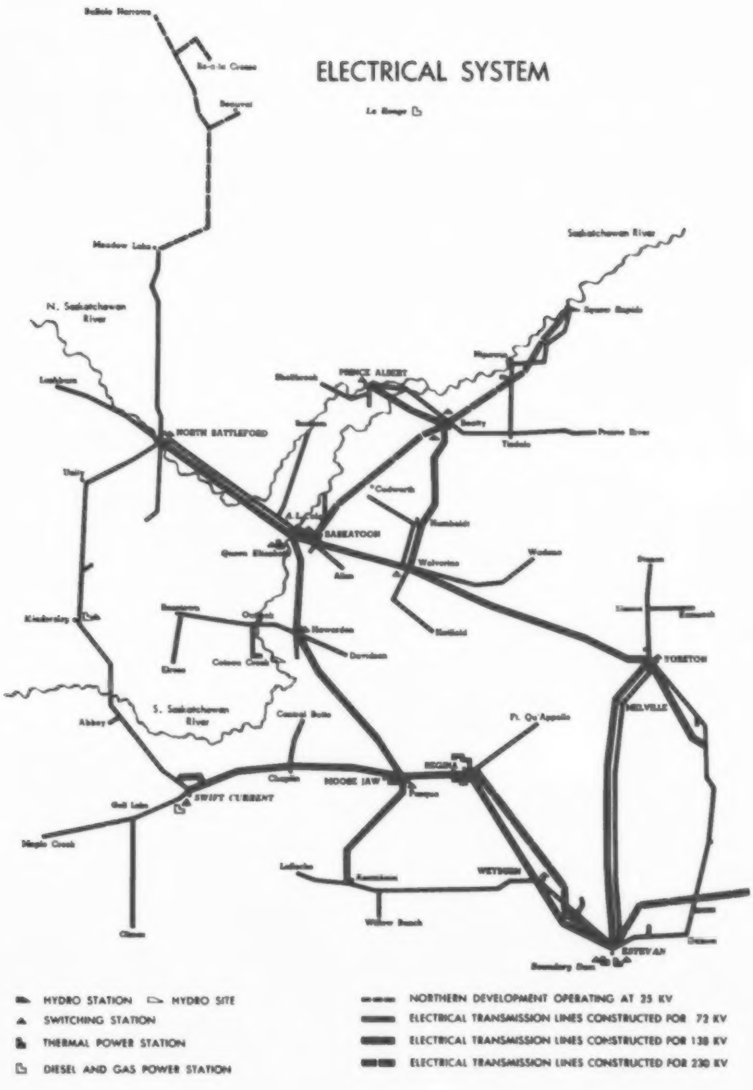
S.P.C. CREW RAISING 72,000 VOLT. H-FRAME TYPE TRANSMISSION LINE STRUCTURE, 1956. (Saskatchewan Archives) and Regina which had been effected to restore service in the capital following a breakdown there.[37] It was rather ironic that Regina, perhaps the greatest obstacle to integration as far as cities went and the last to join the integrated system, should be the first to benefit from integration of northern and southern plants.

Despite the events of 1958, one would hesitate to maintain that the bulk of the Corporation's system was really integrated until the following year when the first unit at Boundary Dam was placed in service and a 138,000 volt line strung from there to Yorkton. Completion of the latter project marked establishment of a double 138,000 volt circuit between Saskatoon and Estevan, one circuit passing through Yorkton and the other through Weyburn, Regina and Moose Jaw. Only then could a significant exchange of electricity take place between the northern and southern portions of the Corporation's system with a fairly high degree of reliability.

Like the first and second stages of integration, the third and fourth resulted in closure of additional generating stations—this time eight in all—and further reductions in production costs. Among the power plants disbanded were the steam plant at North Battleford and diesel installations at Yorkton, Maple Creek, Assiniboia and Kindersley. By 1964 all remaining diesel units, together with the steam plant at Prince Albert and the natural gas-fueled plant at Unity, would also be withdrawn from service.

To keep pace with increasing demands for power, to increase system reliability, to bring new capacity into service and for purposes of economy, the Corporation built additional heavy transmission lines during the first half of the 1960s. Among the more important were 138,000 volt lines from Moose Jaw to Assiniboia, from Chaplin to Swift Current and from Saskatoon to North Battleford to provide more electricity and greater security of supply to the western portions of the province, and a 230,000 volt line from Squaw Rapids to Saskatoon to tie the Squaw Rapids station into the system. As well, the Boundary Dam plant was connected with the Brandon generating station of the Manitoba Hydro Electric Board by a 138,000 volt line. Agreement was reached in 1959 paving the way for the latter connection, intended primarily for the purpose of exchanging economy power.[38] Among other advantages envisaged in working out the arrangement were the possibility of mutual assistance in emergencies and at peak load periods insofar as the latter did not coincide because of time zone differences in the two provinces, eventual establishment of a joint reserve of generating capacity, and alternate expansion of the two systems in order to reduce the combined costs of their development.[39] During 1964 discussions between the Corporation and Calgary Power also took place with respect to a high-voltage connection, possibly 500,000 volts, between the two systems,[40] but nothing concrete resulted.

While integrating facilities were being established by the Power Corporation, expansion of its primary grid continued apace. Sub-transmission lines were steadily extended to reach more and more communities. Be-


ELECTRICAL SYSTEM
Buffalo Narrows
Ile-a-la Crosse
Beauval
La Ronge
Meadow Lake
Saskatchewan River
N. Saskatchewan River
Squaw Rapids
Nipawin
Lashburn
Shellbrook
PRINCE ALBERT
Beatty
Prairie River
Tisdale
NORTH BATTLEFORD
Rosthern
Unity
Cudworth
A.L. Cole
SASKATOON
Humboldt
Queen Elizabeth
Allan
Wolverine
Wadena
Canora
Kindersley
Rosetown
Outlook
Hawarden
Davidson
Elrose
Coteau Creek
YORKTON
MELVILLE
S. Saskatchewan River
Abbey
Central Butte
Ft. Qu'Appelle
Chaplin
MOOSE JAW
REGINA
Pasqua
SWIFT CURRENT
Gull Lake
Maple Creek
Lafleche
Assiniboia
WEYBURN
Willow Bunch
Climax
ESTEVAN
Boundary Dam
HYDRO STATION
HYDRO SITE
SWITCHING STATION
THERMAL POWER STATION
DIESEL AND GAS POWER STATION
NORTHERN DEVELOPMENT OPERATING AT 25 KV
ELECTRICAL TRANSMISSION LINES CONSTRUCTED FOR 72 KV
ELECTRICAL TRANSMISSION LINES CONSTRUCTED FOR 138 KV
ELECTRICAL TRANSMISSION LINES CONSTRUCTED FOR 230 KV

Map 5. Saskatchewan Power Corporation Electrical System, 1964. (Courtesy S.P.C.)

tween 1950 and 1960 the number served increased by about 500, power thus being provided to virtually all urban centres, while expansion in rural areas made electricity available to over 55,000 farms. At the same time a number of mining enterprises, numerous light industrial establishments, hundreds of country elevators and thousands of oil field and pipeline installations were connected to the system. In short, virtually the entire settled portion of the province felt the effects of Power Corporation expansion. But of perhaps even greater significance, such expansion, by making reasonably priced energy available in quantity throughout Saskatchewan, ended a condition which — in view of the importance of electricity in economic activity—had tended to obstruct provincial development for many years.[41]

Footnotes to Chapter VII

INTEGRATION I: BUILDING THE ELECTRICAL SYSTEM, 1950-1965[1]

[1] Evidence indicates that David Cass-Beggs was responsible for much of the planning behind establishment of the S.P.C.'s integrated power system. In addition to his report on rural electrification, he produced such studies for the Government and the S.P.C. as "Power Report: Central Saskatchewan Development," March 1950, "Report to the Government Finance Office Committee on Power Development," 21 October, 1950, and "Analysis of Load Growth," September 1954. This chapter consists essentially of a description of the integrated system and the stages in which it was built. To avoid confusion it has been deemed advisable to acquaint the reader with the system itself before discussing negotiations and other matters associated with its creation.

[2] In 1965 the cities of Saskatoon and Swift Current and the towns of Battleford and Waskesiu still owned their distribution systems. In fact, the same is true today except for Waskesiu.

[3] The plant when expanded for the last time will house 882,000 kilowatts.

[4] Named in honor of Her Majesty Queen Elizabeth II who officially commissioned it on July 22, 1959.

[5] A second hydro plant at the South Saskatchewan dam was under construction but would not begin operating until 1968.

[6] Named in honor of Albert L. Cole who died in 1952 while occupying the position of power production superintendent. He had played an important role in the provincial utility and had gained wide recognition through writings appearing in *Power Magazine*.

[7] S.P.C. *Annual Report*, 1950, p. 5. Also see Table 1, p. 162.

[8] *Ibid.*, 1950, p. 6, 1951, p. 7, 1952, p. 10, 1953, p. 9, 1954, p. 9, 1956, p. 7.

[9] *Ibid.*, 1950, p. 6, 1951, p. 8, 1952, p. 9, 1953, p. 11, 1954, p. 11.

[10] Memo, 27 October, 1953, Brown Papers, PC 16-3, City of Saskatoon, Power Agreement, A.S.

[11] Memorandum re Fort à la Corne by W. B. Clipsham, 13 April, 1953, *ibid.*, PC 17, Fort à la Corne Project; H. S. Lee to All Ministers, 26 April, 1951, *ibid.*, PC 10, Rural Electrification, Saskatchewan.

[12] *The Prince Albert Herald*, 7 March, 1951, in S.P.C. Clippings, Fort à la Corne Project. The Acres Company had estimated that the project might become economically feasible when annual consumption of power within reasonable distance of the site reached 370,000,000 kilowatt-hours.

[13] J. W. Tomlinson to J. A. Darling, 18 January, 1952, S.P.C., Power Development, Fort à la Corne No. 2; Memo re Fort à la Corne by W. B. Clipsham, Brown Papers, PC 17, Fort à la Corne Project.

[14] In 1953 it was estimated that the South Saskatchewan dam would increase output of power at the latter site by about 100,000,000 kilowatt-hoursper annum and firm capacity by about twenty percent. See Memo re Fort à la Corne by W. B. Clipsham, Brown Papers, *ibid.*

[15] *The Leader-Post* (Regina), 21 January 1947, in S.P.C. Clippings, South Saskatchewan River Development.

[16] *Ibid.*, 8 July, 1947, in *ibid.*

[17] Ibid., 24, 26 June, 1950, in *ibid.*

[18] *The Saskatoon Star Phoenix*, 19 February, 1951, in *ibid.*

[19] *The Leader-Post* (Regina), 25 August, 1951, in *ibid.*

[20] *The Moose Jaw Times-Herald*, 19 January, 1953, in *ibid*. The commissioners recommended postponement of the scheme and its review as a possible relief measure for unemployment in time of depression or when the area became heavily populated. In doing so they called for formulation of a long-range plan for developing the Saskatchewan-Nelson system from the Rockies to Hudson Bay, reclamation of the delta lands near The Pas and continued study of ways to water the Palliser triangle, among other things.

[21] Discussions between Ottawa and Regina continued despite the commissioners' findings. The Federal Government was prepared to explore the possibility of agreement on cost sharing on the assumption that the project would cost less than its commission had estimated. However, Gardiner said it must be understood that federal authorities were not committed to any construction by the negotiations. He stated also that he among others did not like the report. See *ibid*., 28 October, 1953, in *ibid*.

[22] S.P.C. *Annual Report*, 1953, p. 9.

[23] R. R. Keith to J. W. Tomlinson, 6 January, 1954, S.P.C., Saskatoon, A. L. Cole Power Plant, Turbo-Generator No. 6. Discussion of a new plant at Estevan went back to at least 1950. See D. Cass-Beggs, "Report to the Government Finance Office Committee on Power Development," 21 October, 1950, p. 11, S.P.C. Library.

[24] S.P.C. *Annual Report*, 1955, p. 7.

[25] S.P.C. Conference on Power Policies, 1-2 November, 1957, Brown Papers. It was thought that 100,000 instead of 66,000 kilowatt units might be installed at Boundary Dam during the third and fourth stages. See Cass-Beggs to Water Rights Division, Dept. of Agriculture, 19 January, 1956, S.P.C., Estevan, Boundary Dam Power Station, Water Rights.

[26] S.P.C. News Release, 9 August, 1957. Only stages one and two of the two plants were completed at the times indicated, further stages being postponed a number of years. The cost incurred in completing the two stages of Boundary Dam and Queen Elizabeth stations were $27,302,000 and $18,524,000 respectively. See Crown Corporation Information Book, 1975, S.P.C. Library.

[27] S.P.C. *Annual Report*, 1955, pp. 7-8, 1956, p. 8, 1957, p. 9, 1958, p. 7. The capacity of the gas turbines at Kindersley increase as the temperature falls.

[28] S.P.C. Conference on Power Policies, 1-2 November, 1957, Brown Papers.

[29] *The Leader-Post* (Regina), 14 November, 1951, in S.P.C. Clippings, South Saskatchewan River Development.

[30] The Corporation would spend $39,581,000 to obtain the electricity it would make available. See Crown Corporation Information Book, 1975.

[31] S.P.C. *Annual Report*, 1957, p. 4.

[32] Conference on S.P.C. Policies, 17-19 October, 1959, Fines Papers, S.P.C., AF 494, A.S.

[33] S.P.C. News Release, 25 September, 1959. The dam would create a reservoir covering about 75,000 acres, extending up river about 40 miles to the town of Nipawin. The body of water was subsequently named Tobin Lake to perpetuate the name of the rapids. Tobin was a corrupted form of Thorburn, the rapids having been named in honor of William Thorburn who had established a trading post in the area many years ago.

[34] *Ibid*. It was anticipated that power produced at the dam would be delivered to the system at costs lower than obtainable from thermal plants. Predicted costs were 3.2 mills per kilowatt-hour initially, dropping to about three mills when the South Saskatchewan scheme was completed. See Conference on S.P.C. Policies, 17-19 October, 1959, Fines Papers, S.P.C., AF 494.

[35] Costs of the project were reported to be $57,000,000. See *The Saskatoon Star Phoenix*, 13 April, 1963, in Brown Papers.

[36] S.P.C. *Annual Reports*, 1955, p. 10, 1956, p. 21, 1957, p. 10, 1958, pp. 8, 13.

[37] S.P.C. News Release, 31 October, 1958.

[38] Economy power refers to energy which can be more cheaply generated in one province than in the other when each is capable of generating all its requirements.

[39] *Ibid*., 13 February 1959.

[40] General Manager's Report, 19 February, 1964, Brown Papers.

[41] For statistics on system growth see Table 1, p. 162.

CHAPTER EIGHT

INTEGRATION II: "A BASIS OF EQUAL TREATMENT AS COMPARED ONE WITH ANOTHER."

Creation of Saskatchewan's integrated electrical system was doubtless the most difficult task the Power Corporation has had to perform. None of its other programs produced as much frustration for Corporation officials, nor did as many compromises mark any of its other accomplishments. Why was this so? Because integration required changes in the existing electrical utilities situation. Corporation plans, like the ill-fated proposals of Sullivan, Kipp and Chase, clashed with the vested interests of some of Saskatchewan's most powerful municipal councils. As a consequence, political considerations came into play and at times overrode economic ones. The effects of politics will be observed in due course. However, this chapter will mainly treat the economic solution to provincial power problems as seen by the Power Corporation, together with early efforts to win acceptance for that solution.

Upon undertaking integration seriously the Corporation was immediately confronted by an exceedingly complex problem of finance. Heavy transmission lines are costly structures and, though they result in important operating economies, they do not of themselves directly increase revenue. To undertake their construction the Corporation, therefore, wanted some assurance that the resulting savings or indirect profits produced would be available to carry the investment. However, it could not readily obtain such a guarantee owing to two considerations. First, there was diversity in the methods by which the province's cities were supplied with electricity; and secondly, there was the use to which municipal electrical utilities were being applied.

When the Corporation came into being, as already indicated, Saskatoon, North Battleford and Swift Current purchased power in bulk from it. Agreements with these communities, drawn up during the formative period of the Power Commission, envisaged supply from local plants. According to their terms, reduced power costs resulting from integration would accrue to the cities rather than to the Corporation. Regina and Weyburn operated their own utilities while National Light and Power served Moose Jaw. These communities were outside the Corporation, and they were not obligated to contribute in any way to integration. The Corporation served Prince Albert and Yorkton on a retail basis, but both possessed the right to repurchase their systems and could thus dissociate themselves from it.[1] The eight cities consumed roughly three-quarters of the electricity produced in the province and hence stood to derive the bulk of benefits resulting from integration. Yet the Corporation did not possess an assured source of profits from any of them.[2]

Making arrangements for the cities to contribute toward a provincial grid might not have been overly difficult had it not been for the way some of the utilities were being used. Originally city systems had been established primarily as means of supplying low cost power, but over the years they had become little more than instruments of taxation. In Saskatoon, Regina, Swift Current, Weyburn and North Battleford, this was one of their major functions. The practice had disappeared at Moose Jaw, Prince Albert and Yorkton with sale of the utilities to private operators, but municipal officials in those communities, looking covetously at the revenues piled up by the other cities, hoped to return them to their former function. The result was a sharp conflict of views and objectives. On the one hand, the Corporation viewed the cities as the main future beneficiaries of integration and consequently the city utilities as legitimate sources of funds with which to build the integrated system. On the other hand, city officials, especially those of Regina, Saskatoon, Weyburn and Swift Current, looked upon the electrical systems as instruments through which to raise municipal revenues.

Before proceeding to a discussion of the efforts made to bring those opposing objectives together and the compromises which resulted, three specific questions must be asked and answered. Briefly, the questions may be put as follows. Aside from the resultant economies of integration, why did the Corporation believe such a development was necessary? What was its analysis of the existing electrical utilities situation and how that situation could be improved? What were the assumptions underlying the cities' position with respect to revenue from the utility and the implications of their policy in that regard?

As the depression drew to a close the demand for electrical energy, as previously mentioned, began to increase in the province. By the late 1940s it was rising at such a rate that Cass-Beggs, in his study on rural electrification, judged that the load would double in five years and continue to expand at that rate for some time thereafter. To meet such demands he estimated that capital investments totalling $70,000,000 would have to be made on generation and transmission facilities during the next twenty years, exclusive of equipment necessary to supply Regina and Moose Jaw. His report also indicated that rural electrification would entail the expenditure of further huge sums and that large scale electrification of the province's farms was out of the question without developing new generating stations and a high-voltage transmission grid. To place farm electrification on a self-supporting basis and permit the establishment of low farm rates, Cass-Beggs recommended that no portion of the costs of the transmission system be charged against the program on the grounds that whether or not farms were served would have almost no effect on the size of the transmission system required to serve urban areas.[1] The Corporation and the Government accepted these arguments. Hence, they deemed integration necessary for rural electrification.

Subsequent study indicated that the costs of meeting the province's power requirements would exceed Cass-Beggs' estimates. To finance necessary expansion and assure Saskatchewan of an adequate supply of electricity, Corporation officials believed that unity was essential. They were certain that although some cities had been able to provide for themselves in the past, the time was fast approaching when such would no longer be the case. More than that, the characteristics of certain power plant locations such as Regina and Moose Jaw, where cooling water was in short supply and fuel costs necessarily high, were seen as placing limits on the size to which such plants could be expanded. Those cities would be forced to look to outside sources for power in the future. The sooner they were willing to do so, the sooner it would be possible to establish larger, more economically operated plants at better locations. At the same time, expanding power consumption indicated that before long total provincial power demands might be sufficient to permit development of the Fort à la Corne hydroelectric site, and there was a possibility that the Federal Government might proceed with the proposed South Saskatchewan power and irrigation scheme which would also produce a large quantity of electricity. Integration was desirable both to finance the costs of such projects and to create the size of market deemed essential if the resulting energy was to be absorbed to best advantage.

In the eyes of Corporation officials the Saskatchewan electrical utilities situation was very unsatisfactory at the commencement of integration. Due to the relatively small size of communities, the sparseness of settlement and the great distances involved, the difficulties of supplying the people with power were probably greater than elsewhere in the country. Transmission and distribution were of necessity expensive. In addition, while other areas enjoyed the benefits of waterpower, Saskatchewan relied on coal and oil for generation, with the result that energy costs were higher. To make matters worse, the costs of electricity to many consumers were raised further by the practice of extracting municipal revenue from the electrical utility as a means of keeping down taxation. This restricted consumption and hampered the reduction of production costs. Finally, the division of the field between the Corporation, National Light and Power and various municipalities was seen as producing unnecessary duplication of expenditures, creating problems in financing and making overall planning for the province next to impossible.

Corporation officials viewed with special misgivings municipal methods of handling electrical utilities, believing that such methods inhibited both social and economic progress. They were of the opinion that the value of electricity was its use. Abundant, low cost power would assist in creating more prosperous cities by making possible lower labor costs through its wider application. Greater use of power in the home would also ease human labor and increase living enjoyment. These goals, the Corporation believed, should be sought directly rather than attempting to pay for municipal services by the circuitous route of levying "taxes" through power bills. The assessing of high rates by a city, it suggested, implied a decision by municipal officials that funds so obtained would purchase goods and services of greater value than would be obtainable if lower rates were charged and funds secured from other sources. This, the Corporation held, was based on a false premise arising from an incorrect appreciation of the use and function of electric power.

Corporation officials also looked upon municipal management of the electrical utility as basically short-sighted. They believed that city policy was in essence a costly policy; revenue was obtained for municipal purposes but the cost of obtaining it was not measured. Cheaper power would facilitate expansion of business and industry which would bring other benefits and tax revenue to the cities. In addition, the emphasis of municipal authorities on maximum profits resulted in their failure to consider properly, and hence a tendency to belittle, the problems of future supply, while providing consumers with minimum service. Maximization of profits also led to a lack of attention to increased sales through promotional rates and load building activities. One of the results, according to the Corporation, was unnecessary inefficiency in the use of equipment. For example, it had attempted to persuade Saskatoon to undertake certain promotional work and make a small expenditure on distribution which would have led to much larger savings on generation. However, the City did not respond. As a result, not only were Saskatoon citizens denied the benefits of the Corporation's proposals but power costs to all customers of the publicly owned system were kept unnecessarily high. Moreover, under existing circumstances nothing could be done about it.[4]

Corporation officials looked with envy on the Ontario Hydro Electric Commission which they regarded as the finest publicly owned utility on the continent. Ontario Hydro attributed its success to three basic principles. First, power was sold at cost to the ultimate consumer. Secondly, systems were coordinated under one authority, effecting savings in administration and efficiency and economy in operation. Thirdly, unified control of operations enabled its administrators to consider all possible sources of power and develop those offering the greatest advantages to the system. None of these principles applied to Saskatchewan. Thus the Corporation believed it faced very serious problems.[5]

From the Power Corporation's standpoint the ideal solution was complete integration of all electrical facilities under itself and prohibition of further diversion of revenues therefrom to municipal coffers. This, it believed, would bring maximum benefits to the cities and the province as a whole. Under such circumstances the lowest rates possible could be adopted to stimulate consumption. Increased consumption would permit cheaper generation and lead to further rate reductions. "The fact that the cities were not incorporated into a Provincial system years ago," a Corporation brief declared, "has delayed Saskatchewan's acceptance of the 'electrical age'."[6]

It is difficult to judge the accuracy of the Corporation's analysis as the effects of greater availability of cheaper power are not readily subject to measurement. Besides, the ideal solution it envisaged was not achieved. However, as will be seen, a number of its arguments for changing the methods under which utilities were operated were sound.

From evidence examined it appears that the policy of using the electri-

FIRST LARGE SCALE INSTALLATION OF MERCURY VAPOR LIGHTS IN SASKATCHEWAN, ESTEVAN, 1954. (S.P.C. Photo Collection) cal utility as a source of municipal revenue was adopted about 1914. During the boom preceding World War I, a substantial amount of property was acquired in the cities, possibly for speculative purposes. When the bubble burst city authorities feared that, unless they made every effort to keep the mill rate from rising, a significant portion of these holdings might revert to the municipality and tax revenue from them vanish. Hence they decided to take a portion of power system income into general revenue.[7] Whether this concession to property owners was necessary is of no consequence for the present discussion. However, it is worth noting that a policy adopted with a certain purpose in view was applied long after the reason for its adoption had been forgotten.

Why the policy once applied became a standard practice in municipal financing is easy to explain. Local governments have always had to struggle to pay for services demanded by citizens. At the same time, increases in the mill rate have not been popular. Thus when a source of revenue was discovered, particularly a source where funds could be obtained regularly, in increasing amounts and without raising much opposition, there was great hesitation to relinquish it. Over the years new arguments evolved to support the practice. Essentially they came to rest on three concepts. Municipalities require funds and have at their disposal only limited sources. The burgesses through their democractically elected council have decided that they prefer to raise a portion of the money required to operate their community by means of the electrical utility rather than by taxation. This procedure is more equitable as residents of the community who do not pay property taxes but use services provided by the community are thus obliged to make contributions toward the cost of those services.

There is no doubt that local governments are hard pressed for funds, and it would be difficult to find serious objections to these arguments had the practice they supported not gone to extremes. From a mere contributor to municipal revenues the electrical utility, through increased use of power, was converted into what was at times described as the backbone of municipal financing. Some municipal authorities ceased to regard the utility first and foremost as a utility. Thoughts of cheap power became secondary to an obsession with large surpluses.

In the first place, the argument advanced by municipal officials that raising funds through the electrical utility distributed the tax load more fairly was not completely valid. On the contrary, if there were inequitable features in the existing methods of taxation they were compounded by the practice. Any relationship which might exist between the size of an individual's power bill and services received from a community is extremely tenuous. This method of raising money, because of the nature of rate schedules, tends to bear more heavily on necessities than luxuries. It does not take into account ability to pay. And it is also quite unfair. Take two businessmen, for example, whose enterprises are of approximately equal value and whose properties are assessed roughly the same. If one uses a great deal more power than the other, he will find his total municipal levy higher though both should be paying about the same amount. Finally, application of such a policy obliges residents of a community to make increasing payments while absentee property holders obtain a lower tax rate. In the last analysis, this system of raising municipal revenue when carried to extremes has only two desirable characteristics. It does provide money and it is simple and easy to apply. Describing revenue from distribution of power as excessive, *The Star Phoenix* blasted the Saskatoon City Council for raising funds in that fashion:

> The electric utility ceases to be a public service when it operates at such a level of profit and becomes, instead an instrument of municipal taxation. . . . The system of collecting taxes through a utility wins little support from anyone except municipal councillors and officials who are responsible for setting the tax rate. For this group of people, utility profits are an agreeable cushion. They are relieved of the responsibility of levying the sort of taxes their spending program would call for otherwise. . . . The City Commissioner has tritely termed the electric department profit 'the lifeblood of city financing.' It is nothing of the sort. It is rather, a feather bed for the official lives of the mayor and aldermen, protecting them for the shock of having to levy in taxes all the money they spend running the city.[8]

Though the paper was stating its case rather harshly, it cannot be denied that the practice led to excessive, indeed exorbitant, electric rates. For example, the markup by Saskatoon on the power purchased from the Commission throughout the forties exceeded 150 percent, the City raising about one dollar through the electrical utility for each three raised by taxation. In view of such developments it would be difficult to ignore the charges of *The Star Phoenix* that the practice badly distorted methods of municipal financing and made the taxation system worse than it was.[9] But this was not the most important result. The obsession of municipal authorities with revenue evidently caused many of them to think in terms of the municipal corporation and its revenue rather than of the residents of the community and their total electric bills. As a result, as integration of the power facilities progressed, municipal authorities were at times seen advocating or adopting courses in direct opposition to the interests of their communities. Total power costs to the community were viewed as secondary to the funds poured into city hall.

During his term, Power Commissioner Berry recognized the conflict of interests in relation to the electrical utility and sought a solution satisfactory to both parties. By and large, the compromise then worked out was successful. According to arrangements completed with Yorkton and temporarily applied to Prince Albert, the Commission began turning over to the cities five percent of its gross revenue, plus a five percent surcharge added to customers' accounts in each municipality. It thus held city revenue from power at a relatively low level. Though this was probably intended as a short-term expedient, the two communities are still served essentially on the same basis. However, of the agreements which had to be reached with cities to facilitate integration these were the easiest to conclude. Both were already served on a retail basis, and this arrangement brought greater sums to them than they had previously received. The advantages they gained were therefore readily apparent and quite attractive.

Though integration began with construction of the Estevan-Stoughton connection during Berry's term of office, emphasis was then on consolidation of various properties with the publicly owned utility rather than on the building of a province-wide integrated grid. Not until establishment of the Corporation was a sustained effort put forth in that direction. Speaking in the legislature early in 1949, the Honorable James Darling heralded the beginning of the new program. He stated that the newly formed Power Corporation would gradually concentrate generating capacity in plants at strategic locations to produce lower cost power and that a high-voltage grid would be established in the province.[10]

During subsequent months investigations stressed the huge outlays which would have to be made to satisfy the province's demands for power. At the same time Corporation officials worked out what they regarded as the ideal method of meeting these demands. With these considerations in mind, Tomlinson, the Corporation's general manager, advised the Government to reconsider some of its policies. Pointing out that for some time to come the provincial electrical load would be concentrated in the cities, he indicated that the required program of expansion would be difficult to undertake if the greater part of the electricity generated by the Corporation continued to be sold at cost. Sale of power at cost would not provide reserves to cover risk of expansion ahead of load or changes in economic conditions. After referring to the huge profits being made by municipalities distributing power and the advantages of integration to the province and cities, he recommended that serious thought be given to having the Corporation retail to all consumers in order that rates might be controlled and an aggressive load building campaign conducted. Since agreements with cities served in bulk were due for renegotiation in a few years, Tomlinson urged that steps be taken to integrate the various utilities before commitments covering future capital expenditures were made. Unless this were done the Province might find itself obliged to furnish power without any assurance that revenue from it would carry the cost.[11]

Tomlinson, it would seem, had in mind the purchase of all remaining independent utilities, but for various reasons the Government decided that attempts be made to do so only in certain cases, while trying to work out an arrangement whereby all electrical facilities would be pooled and interconnecting high-voltage lines constructed. All major plants would then contribute energy to the grid and all distributors obtain power from it at an equalized cost of production. With the Power Corporation administering the partnership, planning and financing on a province-wide basis would become relatively simple. These arrangements coupled with rate control, which he also envisaged, would end diversion of revenues by municipalities. The province's utilities would thus be reorganized into a replica of Ontario Hydro with power being sold to consumers at cost.

With these general objectives in mind Darling advocated the formation of a power pool for Saskatchewan when addressing the legislature in March 1951. He urged that the various municipalities operating utilities, National Light and Power and the Power Corporation cooperate in such fashion as to establish an integrated system. Pointing out that the arrangement would enable plants to assist each other in emergencies and reduce the time expensive stand-by equipment was idle, Darling brought out some advantages of integration. In addition, the desirability of concentrating generating facilities at certain locations, the possibility of hydro developments and the huge capital expenditures which would have to be made in the future were mentioned to illustrate the need for some such procedure. He also referred to Ontario and Manitoba, noting that for a number of years Ontario had a "no diversion" policy, which prohibited the use of revenue from electrical systems for purposes other than the expansion of such systems, and that Premier Douglas Campbell of Manitoba favored both a pooling and a "no diversion" policy. Negotiations with a view to pooling facilities, Darling stated, would be instituted by the Power Corporation with interested parties.[12]

Questioned afterwards regarding his statement, Darling said that the Government had not yet decided to go ahead with pooling but that he could see no alternative. He further remarked that the absence of a "no diversion" policy was handicapping provincial power development. In this respect passing reference was made to the use of electrical utility surpluses to keep down taxes in some cities. And in enlarging upon the subject of equalization of production costs, he added that, while no plan had been developed for Saskatchewan, the proposal in Manitoba was to sell to all distributors at equal cost.[13]

Unfortunately for the program envisaged by the Corporation its initial presentation to the public was not all that it might have been. In a sense Darling had said both too little and too much. In advocating integration he did not deal with its benefits at sufficient length or stress the need for it extensively enough. As indicated by opinions expressed by municipal officials and the press, such a type of power system was quite foreign to Saskatchewan thought. Thus the most significant part of his statement went largely unnoticed. On the other hand, his reference to equalization of production costs was easily interpreted to mean equal rates throughout the province. Interpretation in this manner suggested that the scheme would be detrimental to residents of larger communities. Likewise, though he stated that he was not suggesting that power profits not be used to hold down the mill rate, Darling's remarks left little doubt that he opposed it. Thus he desecrated what had become almost a sacred municipal practice and spoke in terms contrary to the vested interests of city hall officials.

Regina municipal authorities reacted at once. Mayor Garnet Menzies declared: "I am utterly and definitely opposed to Mr. Darling's proposal. I know the government can make us submit to the plan but I am sure it would definitely not be with the consent of the citizens of Regina." The Mayor was said to have further asserted that *equalization of rates* would of necessity raise costs to Regina citizens. Alderman Joseph Young, chairman of the utility committee, spoke out quickly in defence of the City's use of its power surplus and called for "all hands off" the Regina power plant.[14] The response was regrettable but not really surprising.

Instead of letting matters simmer down and returning to the subject when a new approach had been worked out, C.C.F. members of the legislature for the city injected themselves into the affair. Provincial Treasurer C. M. Fines and Labor Minister C. C. Williams stated that pooling was a long-term project still in the exploratory stage and predicted that it would bring cheaper and better service to Regina. Enlarging on Darling's comments Fines said that formation of the pool did not mean the Government was going to take over the local utility, adding that he understood it could not be expanded due to a shortage of cooling water. That would have been sufficient, but Fines continued. Pooling, he declared, would end the frequent breakdowns suffered by the local utility. The statement verged on blasphemy. And in conclusion, he expressed regret that Menzies and Young had seen fit to start a controversy over Darling's proposals.[15]

Fines' remarks brought a prompt response from the Mayor, who claimed that the Regina power plant would compare most favorably with any in the West and that there was sufficient water to expand it and roughly double its output. Denying any desire to enter a controversy, Menzies was said to have proclaimed: "I have . . . as the elected mayor, to be faithful to the trust placed in me by the citizens of Regina. When any incident occurs which in my opinion affects their welfare, I must of necessity take cognizance of it."[16] That Regina could have done without some of the protection it was receiving and that the opinion of the Mayor was an inadequate basis for policy was quite clear. Menzies' comments suggested that he had not grasped what an integrated system entailed. In concluding he said that until a hydro system capable of supplying all Saskatchewan was developed, Regina preferred to own and operate its own plant. To make such a condition a prerequisite for integration was completely unrealistic.[17] As if completely to befuddle the Regina citizenry and its readers generally, *The Leader-Post*, in an editorial entitled "Power pool talk premature," heaped praise on Mayor Menzies and Alderman Young for the stand they had taken and attested to the accuracy of their pronouncements, including the Mayor's misconceptions.[18]

The Regina controversy quickly came to the attention of municipal officials in Saskatoon who shortly thereafter submitted a brief to the Government, stating their position respecting the proposed power pool and equalization of production costs. In short, emphasizing the equalization aspect, the brief maintained that such an innovation could only result in increasing the costs of power and expressed strong opposition to any scheme whereby the City would absorb any charges for electrical energy beyond production costs within the city. In conclusion it read: "Council . . . considers that the establishment of a 'Power Pool' should not be entertained until it has been definitely established that energy from hydro sources can and will be supplied at Saskatoon at no higher cost than by steam generation."[19]

Like their Regina counterparts Saskatoon aldermen did not adequately understand integration, as is illustrated by their desire to write it off until hydro became economical. Only Alderman William Manning had apparently given the matter serious thought. In attempting to secure removal of opposition to the power pool from the Council's brief he declared: "Some well-informed people think that a power pool is worthwhile. All we want to oppose is Saskatoon being denied the benefits of power plant production costs. . . . We have been looking for a way to have stand-by facilities. The power pool is it." However, he could not persuade the other aldermen or Commissioner Harold Balfour to accept his point of view. Balfour thought, and the remainder of the Council agreed, that a pool "could not help but increase costs" and the only way to be safe was to oppose the whole scheme until hydro could be developed.[20]

These events were unfortunate, particularly as the province's two major cities came out in opposition to integration before having adequately studied it. Nevertheless, their reactions did have an effect on the future policy of the Corporation. Throughout much of 1950 and into 1951 a Government Finance Office committee conducted an inquiry into power development. Its report to the Government in April strongly supported complete integration with all electrical facilities being taken over by the Corporation or, failing that, by pooling. If this was not done, "the technical and financial problems of providing for future generating capacity and alternate sources of supply through a high-tension provincial system will be very difficult for the present provincial system to overcome." However, the report stated, power revenue should be shared with the cities whether they owned their own systems or not.[21] Recognition was thus given to claims of the municipalities for revenue from the utility, and the ideal solution to the power problem as seen by Corporation officials was watered down.

Within a few months of Darling's call for formation of a power pool, the Corporation opened discussions aimed at achieving such a result with the cities of Swift Current, Weyburn, North Battleford and Regina. Corporation officials seem to have believed it would be possible to purchase all except the Regina utility.[22] Such efforts, however, produced widely varying results.

Most successful were talks with North Battleford. Doubtless because of attempts to obtain revenue for municipal purposes, the City had permitted its distribution system to deteriorate to a state where major expenditures were necessary to rehabilitate it and bring its load within the limits of safety. Faced with an expenditure, estimated at approximately $100,000, City Council was prepared to discuss alternatives. The Corporation offered to buy them out. Believing that purchase could be accomplished, J. R. Sarsfield, who handled negotiations, launched the Corporation's most successful effort to sell itself and integration to a community. As a result, he secured not only the City's support for the change of ownership but also that of the press and the Chamber of Commerce.

By an agreement reached late in 1951 and overwhelmingly endorsed by the burgesses, the system changed hands. The Corporation thus gained control of rates and load building activities and greater ease in integrating the city with the rest of its system. By integrating the community with Unity and Saskatoon and closing down the local plant, it estimated that great reductions in expenses could be made. In return the City not only shifted a major expenditure to the Corporation but received $150,000 in cash, somewhat more than the tangible value of its facilities. Over and above that, the Corporation promised the City revenue on the same basis as Yorkton and Prince Albert or whatever was worked out with all cities later, and it granted the citizens a major rate reduction.[23]

Contacts with Weyburn and Swift Current, on the other hand, led nowhere. The Corporation also attempted to buy the distribution system owned by the latter city. But Swift Current, perhaps realizing that it possessed the most one-sided agreement in the province, would not sell. Discussions ended with the Corporation withdrawing its offer.[24] Weyburn was in a different position; its power suply was very insecure. It had to operate almost all of its generating equipment to handle peak load and was fast approaching a critical position with respect to future requirements. Nonetheless, Council would do little more than discuss purchase of power in bulk. It was aware that the Saskatoon and Swift Current agreements would soon be renegotiated and possibly wanted to learn of the terms those cities would receive before doing anything. Corporation contacts with the community seem to have involved little more than attempts to publicize the advantages of integration and the power problems facing Saskatchewan.[25]

Discussions with Regina were more extensive. While the Power Corporation was studying the pooling of power facilities, the City began to consider installing additional capacity in its plant. H. I. Nicholl, superintendent of City Light and Power, and J. W. Tomlinson thus met briefly. Tomlinson recorded part of the discussions as follows: "He [Nicholl] . . . mentioned . . . that their pondage will look after loads up to 50,000 K.W. peaks, providing they extend their discharge pipe lines. He felt that this would give them adequate cooling with normal water in Wascana Creek but in dry years they would have difficulty."[26] Shortly thereafter the controversy over Darling's pooling proposal erupted and Mayor Menzies stated that according to Nicholl there was sufficient cooling water for such capacity.[27] No reference appears in the press regarding dry years. There the matter rested for a number of months.

In September 1952 City Council, without obtaining Power Commission consent as required by law, accepted a tender for a 30,000 kilowatt steam turbine at a price of over $800,000.[28] The Corporation therefore quickly contacted Mayor Gordon Grant and informed him that studies, while not quite complete, indicated that integration of Regina, Estevan and Moose Jaw would be much more economical than individual plant operation. The three plants, it stated, possessed a total of 55,000 kilowatts in spare capacity, either installed or under construction, which would permit delaying further expansion for some time to come. Postponement through integration would allow the status of the proposed South Saskatchewan power and irrigation scheme to be clarified and provide an interval wherein the possibility of generating power from natural gas could be studied further and future installations of capacity more efficiently engineered. As a result, the Corporation and the City agreed to discuss the whole question in the near future.[29]

Within six weeks the two parties met. Here Tomlinson stated that pooling of facilities need not involve a change in the ownership of the Regina and Moose Jaw plants. In addition, he outlined Corporation plans for steam plants at Estevan, Saskatoon and Prince Albert, taking into consideration the South Saskatchewan River scheme, and claimed that the proposed 30,000 kilowatt unit would not be needed at Regina even if hydro was not developed. City officials agreed to consider the matter and appoint a committee to meet his organization.[30] By then the Corporation was convinced that any expansion in the south should take place at Estevan, judging that power could be produced there and transmitted to Regina more cheaply than the City could generate with new equipment. "This would not," it recorded, "increase the cost of power to Regina since we are confident we can produce power one-quarter cent cheaper than additional new capacity at Regina."[31]

By early December Corporation studies on integration had been completed as far as possible without more detailed data on the Regina utility. In a letter informing Mayor Grant of the situation and stating that he understood the City believed it needed more capacity at once, Darling requested appointment of the committee which was to meet with his organization. Studies, he wrote, ". . . indicate that an integrated system affords considerable economies in operation and total capital investment, as well as better continuity of service to all areas."[32] The city complied, and its appointees and those of the Corporation soon met. However, little was accomplished. From discussions the Corporation concluded that Regina representatives were willing to pool facilities provided they made money in doing so; that is, if the Corporation was willing to supply "integrated power at a lower cost then they [the City] could appear to be generating . . . in

. . . 1953."[33] Corporation officials were not prepared to do so, being convinced that Regina production costs were understated through accounting procedures whereby items properly chargeable to the utility were not assessed against it. To accept Regina's condition would not lead to a desirable form of integration.[34]

Due to the generally unsatisfactory results forthcoming from negotiations with individual cities and to a desire to achieve a uniform settlement with all cities in order that all would contribute equally to integration, the Corporation ended discussions.[35] For some time it had been considering holding a conference and examining matters with all cities at once, as perhaps a more satisfactory means of getting policies it advocated adopted by everyone.

The moving spirit behind the idea of a power conference was business manager Sarsfield. Writing to Tomlinson somewhat earlier he had stated:

> We are so close to the problems of power supply . . . that we may often overlook the distance that other people are from it [*sic*]. I believe there would be considerable danger in a statement being made by the Government of any overall general policy without careful consideration of the methods by which the maximum acceptance of these policies could be gained. Generally, people do not understand either the economics of power distribution or the tremendous amounts of money which we know will be required in the future to provide the service expected, and people too generally jump to conclusions and take a stand which in the light of better knowledge they would not have taken.
>
> I would like to suggest that the approach which should be taken to get the policies we advocate accepted is for a general policy statement to be made by the Government covering the general needs and future policies, but that instead of following the example of Manitoba and declaring them to be matters of definite action, the Government might consider calling a power conference so that all representative agencies and interested bodies in the Province can be called in for consultation.[36]

Sarsfield expressed the belief that, in the event such a conference were held, it would be possible to obtain briefs from such organizations as the United Farmers, the Rural Municipalities and certain boards of trade supporting the position favored by the Government. And continuing he stated:

> I believe that our arguments for unified action are so complete and so strong that it would be very difficult for any organization to tear them to pieces except on the position of municipal revenue, and I believe it is obvious that the Government will have to take into consideration the problem of municipal revenue in discussing any overall change in power policy. The needs of the Province are so critical on power that I believe very pressing urgency to the above idea should be presented to the Government so that careful plans can be made for publicity and public enlightenment before any definite policy or stand is taken by the Government.[37]

By this time Tomlinson had also modified his attitude respecting the cities' desire for revenue from the electrical utility. In transmitting

Sarsfield's recommendation for a power conference to Darling, he acknowledged that the practice would have to continue unless some alternate source of funds was made available. The electrical utility had become the backbone of civic financing and acquisition by the Corporation would therefore be politically unpopular. However, the Power Corporation was undertaking the distribution of natural gas at the time. Consequently, he argued that since the power, telephone and gas monopolies were obtaining or would obtain the bulk of their revenues in the cities, all three should make contributions. The only loss to the Government would be part of the telephone surplus which, he alleged, was getting too high and was itself becoming politically unpopular.[38] The Government Finance Office supported Tomlinson's suggestion but it was not adopted.[39]

After further consideration Tomlinson again took up the question of city revenue with Darling. The major weakness of the existing system, he stated, was the unequal distribution of such revenue. City revenues ranged from a mere five percent of the power dollar at Moose Jaw to fifty-eight and sixty percent at Saskatoon and Swift Current respectively. More than that, of the total profits on distribution about ninety percent went to the cities for municipal purposes and less than eight percent toward the integrated system. With full integration the Corporation could effect economies enabling it to retail power in all cities at prices not greater than they could serve themselves, provide better service and make a contribution toward rural electrification. Urging that all consumers should make an equitable contribution toward development of the provincial system and rural electrification, Tomlinson recommended that if electricity was to continue to subsidize municipal spending, city revenues from it should be equitable and limited so as not to discourage consumption.[40]

Accepting the recommendations of Corporation management, Darling informed the provincial legislature early in 1953 that the cities would soon be invited to a power conference to discuss existing problems and integration. He went on:

> I think, too, that the time has come when the Power Corporation and the Government should give fresh consideration to the purchase of the National Light and Power plant in Moose Jaw, and, as far as the City of Regina is concerned, the benefits of integration can certainly apply to Regina. I believe that the high-voltage line from Estevan, coming up through Weyburn to Regina, and an interconnection with the plant in Moose Jaw, would make cheaper service to the citizens of Regina even if they retained ownership of their plant. Integration has been proven to be equally effective. irrespective of a variety of ownership of the plants in the pool.[41]

With respect to cities served in bulk by the Corporation, Darling stated that somewhat different agreements would have to be worked out to replace existing ones. He also expressed a desire to place all the cities on a more equal footing, adding in clarification: "By that I do not mean equality of rates but a basis of equal treatment as compared one with another."[42]

Questioned by *The Leader-Post* following his address, Darling affirmed that he was not proposing Corporation acquisition of the Regina plant. And in response to other queries, he stated that power rates would be discussed at the forthcoming conference.[43]

Even such a general approach to integration brought an immediate reaction from Regina. Next day Mayor Gordon Grant challenged Darling's statement. Integration, he was reported as saying, could only bring cheaper power to the city by reducing municipal revenue from the utility because the local power plant was generating power as cheaply as any other. Admitting there were some advantages to integration, he alleged, though mistakenly, that this would only be true in case of a partial failure at the local plant. And further, claiming that the scheme would probably benefit Moose Jaw and Estevan more than Regina, he went on to defend the City's use of utility profits.[44] Again *The Leader-Post* followed the Mayor's line very closely. Though it did say that Regina had a provincial interest and that the plan should not be dismissed, it warned that there appeared to be little to gain and maybe something to lose by entering an integrated system.[45]

To facilitate regulation of rates should regulation be agreed upon by the cities at the forthcoming conference, the Government passed a bill designed to give consumers of electricity and natural gas the right to contest rates charged by any utility before the Local Government Board. This brought protests from Regina, Saskatoon and Swift Current, the last branding it "an infringement of the rights of the elected Council . . ." The Government responded by stating that the bill would not be proclaimed until the cities had had ample opportunity to make representations.[46]

Shortly thereafter the cities were invited to meet with the Power Corporation in the latter part of May. No doubt because of the attitude it was apparent some of them might adopt, it was decided to make it clear that the conference was a Corporation rather than a Government conference. In this manner the Government would remain "free for independent action." It was further decided that as a general approach it would be pointed out to the cities that meeting future power requirements was not a provincial responsibility alone but rather a joint city-provincial problem and that no decision had been made by the Province to be responsible for capital requirements except for the main Corporation system and the proposed South Saskatchewan River project.

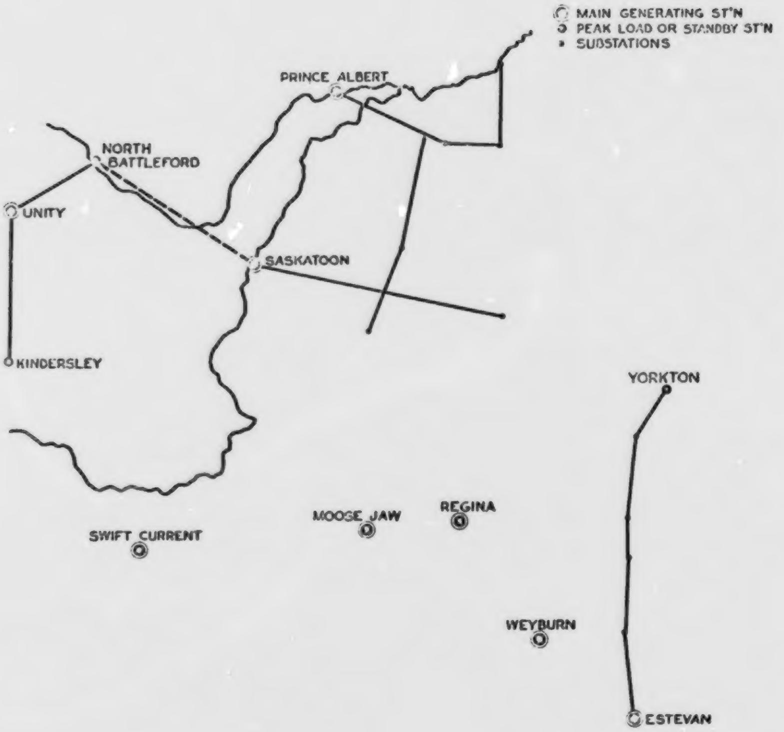
Three alternate methods of providing the funds for construction of the integrated system were also worked out. First, the Corporation would retail electricity to all consumers, give grants to the cities in lieu of taxes and retain funds saved by integration to pay for the provincial grid. Secondly, the Corporation would sell power to the cities in bulk at prices which it would cost them to generate their own requirements, rate controls being instituted so that rates charged by the cities would not unduly discourage consumption. Or thirdly, a tax would be placed on all power sold and the proceeds used to finance integration.[47] Methods one and two clearly indicate that Corporation plans did not envisage increasing total power costs to any city; integration would pay its own costs through its economies.[48] At most, city administrations would have been required to reorganize their financial systems. The Corporation decided, however, not to include the three proposals for financing in its presentation to the cities. Nor were any briefs in support of its position obtained. In this regard only Moose Jaw was contacted in order to inform its officials of the Corporation's stand on city revenues and their support be assured.[49] From all appearances, the conference was designed to make the cities fully conversant with integration and the power situation in the hope that they would ask for or propose solutions themselves.[50]

Accordingly, in opening the conference, Darling, in his capacity as Chairman of the Board of Directors, stated: "The purpose of this conference is in order that the cities of Saskatchewan and the Power Corporation may come to a mutual understanding of the problems which we believe face power development in the province . . . in the years which lie immediately ahead and extending for some years into the future. . . . We are going to try to avoid stating conclusions at this conference, I hope we will be able to get through . . . simply by examining a problem."[51]

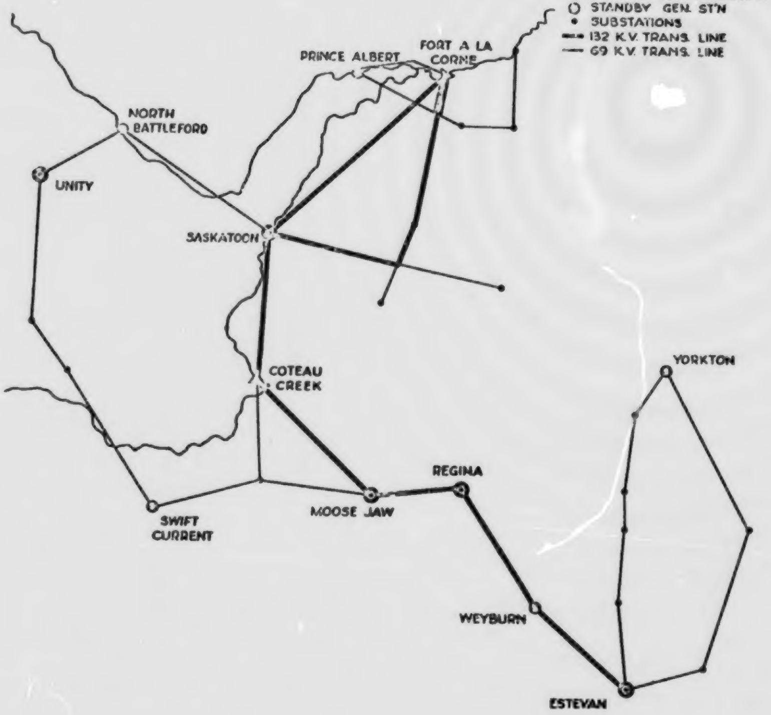
After describing the existing situation, as well as outlining the huge growth of load expected in coming years and the capital expenditures necessary to meet it, Darling posed three questions for the cities. Would any of them want to remain independent of energy from the South Saskatchewan or Fort à la Corne developments if undertaken? If so, would such a course be practical and more economical than being a part of an integrated system? If a city remained independent, would the provincial power system as constituted be sufficiently attractive to investors to obtain the capital necessary to provide the equipment required for the future? He then suggested that whether or not the various groups in the province wanted to, they would have to cooperate to supply future power requirements while the Power Corporation, for its part, would have to recognize the practice of diverting power profits to municipal treasuries.[52]

J. R. Sarsfield then dealt at length with the inadequate nature of the existing situation in which expansion benefited some areas at the expense of others. Turning to future considerations, he posed a further question for the cities. If the Province was to assume responsibility for future capital expenditures, should it not also determine the selling price of the product and take over promotional activities? Rates, he held, should have some uniformity, while allowing for the different sizes of cities.[53]

Basic advantages of integration were then presented by chief engineer Clipsham, who gave details of the reduction in capacity possible with integration and the better use of equipment which would result. In addition, he mentioned the limitations of the Regina and Moose Jaw plants and discussed sites for possible future expansion. The alternative to integra-


MAIN GENERATING ST'N
PEAK LOAD OR STANDBY ST'N
SUBSTATIONS
PRINCE ALBERT
NORTH BATTLEFORD
UNITY
SASKATOON
KINDERSLEY
YORKTON
MOOSE JAW
REGINA
SWIFT CURRENT
WEYBURN
ESTEVAN

Map 6. Integration of Electric Power, 1953.
(Courtesy S.P.C.)


THERMAL-ELECTRIC GEN. ST'N
HYDRO-ELECTRIC GEN. ST'N
STANDBY GEN. ST'N
SUBSTATIONS
132 K.V. TRANS. LINE
69 K.V. TRANS. LINE
PRINCE ALBERT
FORT A LA CORNE
NORTH BATTLEFORD
UNITY
SASKATOON
COTEAU CREEK
YORKTON
REGINA
MOOSE JAW
SWIFT CURRENT
WEYBURN
ESTEVAN

Map 7. Proposed Integration of Electric Power, 1953. (Courtesy S.P.C.)

tion, Clipsham asserted, was the existing situation, but he expressed doubts that the cities could afford it.[54]

Finally, Tomlinson concluded the Corporation's day-long presentation. Dwelling on all topics, integration, rates, city revenues and rural electrification, he ended by stating that a sound power system for the province could be established in several years, allowing reasonable revenues to the cities, providing satisfactory reserves for integration and adequate power for industries if an immediate start were made.[55] The implications of the speeches by Corporation officials were clear. They wanted the cities to accept rate control, limit their revenues and agree on methods whereby funds for the integrated system and future generating capacity would be assured. All that was really necessary was desire on the part of the cities to cooperate.

The following day municipal representatives were given an opportunity to present their points of view. Expressing the opinion that the conference had been beneficial and that all would have to work together on matters concerning integration, Mayor Grant opened discussions. Pointing out that the Corporation had dealt with integration and rate control, he remarked that these were doubtless intended to support conclusions which he requested be revealed. He then went on to say that it would be up to each individual city and the Corporation to decide what should be done, since the policies of the latter and each city as a separate entity were involved. Just what Regina's future attitude would be was immediately plain. Turning to the subject of city revenue, he threw the whole problem into the lap of the Corporation. If, Grant stated, the Corporation could demonstrate sources to replace revenue which might be lost to the City through integration or changes in price structure, the City would be willing to listen.[56]

Darling responded to Grant's question by stating: "The conclusion that I have arrived at is a negative one. That we simply can't go on as we have gone on in the past, that we can't face up to the problems of financing the full development of power in the province until we establish a system that will make that financing possible. If we are going to raise the capital money required, which will be required in the very near future, to go forward with the extension of electrical power and the meeting of the demands that are constantly growing very quickly, then we have got to have a power system organized in such a way that will appeal to the investor."[57]

Second to speak was Regina City Commissioner Glenn Gillis. Stating that there were limits to the amount of power the City could produce and that his community did not want to appear as opposed to integration or pooling, he too requested the Corporation to state how integration and rate control were connected.[58] Corporation spokesmen replied that rate control was essential in order that those in charge of generation would be assured that distributors did not set rates which would adversely affect consumption and thereby the economics of generation. Control would be by a body other than the Corporation. Integration and city revenues were again discussed, Tomlinson pointing out that the Corporation obtained a surplus in Prince Albert as a result of integrated operation which would probably not have existed if the City operated its own plant as an isolated unit. This profit, he went on to say, was reinvested in the system.[59] By this time, it will be recalled, substantial progress had been made in integrating the utility's northern holdings.

Mayor Grant now returned to the discussion. Averring that Tomlinson had touched on a "sore point"—the City's use of power revenue—he declared that he would not let the matter go unanswered. "What we have done with those surpluses has been our business and nobody else's . . . ." He then laid down the City's position:

> Now, we maintain that the question of municipal ownership and control of our power plant is most important. The credit of a city is based primarily on its record of good faith and sound management. The amount that can be borrowed will depend on the powers of taxation and revenues conferred on the city by the legislature and the firmness with which such powers are assured. The existence of power in an outside body to interfere in the revenues of the city, whether such power is exercised or not, will affect the city's credit. . . . the sources of taxation for cities have been gradually narrowed down and the requirements seem to be growing in leaps and bounds. . . . what was undertaken originally merely as a public utility has, through force of circumstances beyond city controls, had to become an integral part of the financial system of the city and a major source of revenue. It is presented to investors as an important part of the city's credit to secure borrowing on attractive terms. Because it is needed where it is as a support to the financial structure of the city it should not be dealt with as merely supplying a commercial service. In our approach to lending institutions in the East that is one of the selling points we use . . . . Before a control or regulation is set up over power rates and power structure we feel that very careful consideration has to be given to the overall picture and how it is going to affect the credit of the city . . . .[60]

In commenting on Grant's statement Darling reassured municipal representatives that they would have the opportunity to discuss matters with the Government before rate controls were instituted. Then too, he pointed out that some of the matters brought up were beyond the scope of the Power Corporation.[61]

Mayor Cuelenaere of Prince Albert quickly took issue with Regina's position. His city was already part of an integrated system, recognized its importance, and had reached a temporary agreement with the Corporation on the basis of it. However, he claimed, there should be some form of equality between cities. Since Prince Albert was contributing toward building a provincial system, it was justly concerned that Regina, Saskatoon and some of the other cities were not: "I am sure the cities of Saskatoon and Regina should recognize that they too owe some responsibility toward the development of the rest of the province. That it shouldn't only come out of a certain limited group." Cuelenaere then explained that the only reason

Prince Albert had insisted on a temporary agreement with the Corporation was that a number of cities were not making any contribution toward integration but that if they agreed to do so his city would surrender the right to repurchase its utility.[62]

The remaining cities divided into two groups, with North Battleford, Yorkton and Moose Jaw adopting the stand taken by Prince Albert, while Saskatoon, Swift Current and Weyburn gave varying degrees of support to Regina. In short, those contributing to integration, together with Moose Jaw, supported the practice while those making no contribution opposed it, admitting little or no responsibility for doing so while stressing the paramount importance of revenue from power to the financial operations of their cities.

In the closing moments of the conference, perhaps in an effort to reach some kind of an understanding since on appearance no one opposed integration *per se,* Tomlinson asked the assembled representatives for an expression of opinion on what they thought would be a fair percentage of the power dollar to be used for municipal purposes. The only response came from Gillis, who declared that any reply would merely be conjectural, that Regina's electrical utility was an integral part of City financing and that if Regina was taking thirty-eight percent into general revenue that was a fair percentage![63] On that note the conference closed. The Corporation had failed to obtain anything like unanimous cooperation. No doubt for that reason the proposals it had worked out for sharing the costs of the provincial system were not discussed.

Interviewed by the press following the meeting, Darling expressed the belief that a better understanding of the province-wide nature of the power problem had resulted but that it was rather doubtful if agreements with the cities could be worked out at the time. The Corporation would fully study the points of view expressed by the cities, meet them individually as quickly as possible and attempt to reach agreements in order to facilitate long-term planning. In addition, his comments indicated that the Power Corporation's ideal solution was about to receive a further watering down. A reasonable revenue from the electrical utility, he said, would vary from city to city because of the diversity of ownership. A basis of equality would be worked out taking all factors into consideration.[64]

Regrettably from the Corporation's point of view and indeed to the detriment of the province, the conference received inadequate coverage by the major papers. Almost immediately Tomlinson charged that *The Leader-Post* gave one-sided and incomplete information regarding it.[65] The allegation was well-founded. With respect to the stand taken by the cities it conveyed the impression that there was unanimous opposition to Corporation proposals. It mentioned little except statements by Mayor Grant and Darling and played up the possibility of a provincial power monopoly.[66] *The Star Phoenix* did likewise, its headline reading: "CITIES WANT REVENUE FROM POWER UNLESS ALTERNATIVE AVAILA-

BLE," and its account of the proceedings read: "Regina and other Saskatchewan cities balked Friday at giving up power revenue without alternative finance methods being pointed out."[67] Only comments by Regina and Saskatoon officials appeared, nothing being said about the very different stand taken by Mayor Cuelenaere and others. Nor did the paper point out that while it might be in order for Corporation officials to tell the cities it was unwise to use the electrical utility for raising municipal revenue, they would be acting improperly to state where such funds should be obtained. *The Swift Current Sun's* treatment was no better. It published a large section of Mayor Friesen's speech including his statement that Swift Current would benefit little from integration but failed to state that according to the Corporation the community stood to benefit most of all because of its location in a high cost area.[68]

Nor did three subsequent *Leader-Post* editorials help to remedy the situation. The paper began by suggesting that the provincial plan was a move to channel the greater part of the cities' profits "into the coffers of the power corporation to bolster its credit and the government's so that private investors will be more inclined to lend . . . millions for hydro developments. . . . Are the finances of the province under the CCF government," it asked, "in such a parlous state that it has to grab off municipal assets to strengthen its credit so that it can finance its part of the South Saskatchewan river development project?"[69] It had been made clear at the conference that the Corporation was prepared to assume responsibility for the latter project. "In reaching out greedily for the profits made by Regina, Weyburn, Saskatoon and Swift Current, the Power Corporation hopes to use this money to subsidize the expansion of rural and small urban electrification in the more costly areas." The paper declared that if there was to be a subsidy it should be from all of the province, not just the four cities.[70] The statement was not in accord with the facts. A subsidy of a sort was being provided and about the only ones not contributing toward it were the four cities plus Moose Jaw. The final editorial deteriorated into little more than a personal attack on Darling and Tomlinson. Darling's statements were described as coming from "an extremely biased source," and Tomlinson was said to have taken exception to the cities' use of power profits "in his characteristically domineering and undiplomatic manner. . . ."[71]

In truth, the paper's actions were quite irresponsible. Though all editorials were entitled "Power Integration," actual discussion of the topic in an intelligent manner was sadly limited. Rather, the articles appear to have been designed to attack the Government politically and to stir up ill-feelings against the Corporation. No solution to the power problem was offered and no attempt made to indicate to Reginans their responsibilities as part of the province. Such commenting, together with the low calibre of reporting by the most strategically situated newspapers, meant that the public was given a distorted view of the electrical utilities situation and what should be done about it.

With the failure of the power conference, the time was ripe for the Government to adopt the independent course of action reserved for it. But that was evidently something it was not prepared to do. Nearly a year later the Economic Advisory and Planning Board was to write: "While no *overall policy* on power development has ever been formally stated by the Government, there is no doubt that the provision of an adequate power system for the province has become a major government responsibility. Within that responsibility, the policy objectives, as described at the 1953 power conference, are fourfold: (1) to provide adequate power; (2) to provide reserves for an integrated system; (3) to allow reasonable revenues to the cities; and (4) to provide consumer rate adjustments. Needless to say, these are not completely consistent objectives. . . ."[72]

Because the Government did not take action to bring the policy objectives into harmony, the Power Corporation had to do so as best it could. It had to go to great lengths to meet demands of cities for revenue. In doing so, it compromised the other objectives, particularly consumer rate adjustments. Equality between cities with respect to revenue from the electrical utility thus went by the board. So also did equality in certain other matters. The Government did not take a firm stand on the integration or pooling of all electrical utilities. Hence, it charged the Power Corporation with the task of building integrating facilities for a province-wide power system but made no provision for financing its costs on a province-wide basis. Since the Corporation could not oblige all electrical consumers to contribute toward such costs, it had to obtain its funds where it could. As a result, only part of the province bore the initial costs of integration. Indeed, almost all integrating facilities were established before some of the cities contributed a cent. The Government permitted this in spite of predictions that the cities would benefit most from integration. More than that, as will be shown, the province's power requirements could have been met in a more economically desirable manner had the Government been prepared to take a firmer stand in dealing with certain cities.

Footnotes to Chapter VIII

INTEGRATION II: "A BASIS OF EQUAL TREATMENT AS COMPARED ONE WITH ANOTHER."

[1] "Alternative Plans in Effect for Supplying Power to Cities in Saskatchewan," undated, Brown Papers, PC 22, S.P.C., Negotiations with Cities, General Policy, etc.

[2] The use of the word "profits" here does not really convey a satisfactory meaning; Corporation policy was service as close as possible to cost. What is meant is a surplus to cover risk of expansion ahead of load and reserves in the event of changes in economic conditions.

[3] D. Cass-Beggs, "Report on the Development of the Facilities of the S.P.C. to Supply Electric Power to Rural and Farm Areas," October 1947, pp. 75, 107; "A Condensation of *ibid.*", pp. 3-4, S.P.C. Library.

[4] Brief Respecting the S.P.C.'s Bulk Sales Contract with the City of Saskatoon, 26 September, 1952, S.P.C., Saskatoon, Town No. 4; J. W. Burton to J. W. Tomlinson, 29 November, 1950, S.P.C., Power Development, Integrated Provincial Power System, Power Pool; "Report of Proceedings, Power Conference between the Cities of Saskatchewan and the Power Corporation," 28 May, 1953, Brown Papers, hereinafter cited as S.P.C.—Cities Conference.

[5] The reasons for Ontario Hydro's success were derived from a speech delivered in 1951 by Dr. Otto Holden, Assistant General Manager of O.H.E.P.C.

[6] Brief Respecting the S.P.C.'s Bulk Sales Contract with the City of Saskatoon, 26 September, 1952, S.P.C., Saskatoon, Town No. 4.

[7] This reason appears in connection with Weyburn and Regina; it may or may not have been used by other cities.

[8] *The Saskatoon Star Phoenix*, 2 August, 1952, in Brown Papers, PC 14, S. Power Plants.

[9] Brief Respecting the S.P.C.'s Bulk Sales Contract with the City of Saskatoon, 26 September, 1952, S.P.C., Saskatoon, Town No. 4. The one-to-three ratio applies to all money raised including school taxes. At times utility profits exceeded the levy for municipal purposes.

[10] Speeches by Darling, 24 February, 23 March, 1949, S.P.C., Rural Electrification, Acts and Amendments No. 1.

[11] J. W. Tomlinson to J. A. Darling, 15 November, 1950, S.P.C., Power Development, General. Tomlinson stated that expenditures of about $100,000,000, exclusive of the South Saskatchewan River project, would have to be made in the following decade. His assessment of the responsibilities of his organization were indicated by the following: "It is the universal assumption that the province, having established a provincial power supply, thereby assumed responsibility for the adequacy of power supply for urban as well as rural areas."

[12] *Debates and Proceedings*, Legislative Assembly of Saskatchewan, 1951, No. 24, 6 March, 1951, pp. 17-21, Legislative Library. Darling said also that electrical consumption was expected to rise 400 percent by 1960 exclusive of the requirements of Regina and Moose Jaw and that it appeared as though the power made available if Fort à la Corne were developed could be used by 1956 and that from the South Saskatchewan River dam as soon as it was available.

[13] *The Saskatoon Star Phoenix*, 7 March, 1951. Darling's speech was designed to "test the ice" on such subjects as pooling and city revenue from power, prior to determining how the Corporation should proceed with integration. Interview, 18 February, 1975.

[14] *The Leader-Post* (Regina), 8 March, 1951, in S.P.C., Regina, Town No. 2.

[15] *Ibid.*, 9 March, 1951, in S.P.C., Government Provincial, Power Policy No. 2.

[16] *Ibid.*, 12 March, 1951, in S.P.C., Regina, Town No. 2.

[17] *Ibid.*, Integration of demands may make hydro developments possible by creating the size of market necessary to absorb the power produced. To say that hydro should be developed before the City decided whether or not to use it was asking the province to generate power which might not be marketed. Menzies also stated that an integrated system was impractical as no plant in the province could take care of its own load and that of Regina as well. Such was not a requirement for integration as not one but all plants in such a system assist any of their number having difficulty.

[18] *Ibid.*, 15 March, 1951, in *ibid.*

[19] The City of Saskatoon's Stand on the "Power Pool" Suggestion, 22 March, 1951, Brown Papers, PC 14, S. Power Plants.

[20] *The Saskatoon Star Phoenix*, 27 March, 1951.

[21] "Power Development Committee Report to the Government Finance Office," 26 April, 1951, Brown Papers, PC 10, Rural Electrification, Saskatchewan.

[22] J. R. Sarsfield to J. W. Tomlinson, 31 August, 1951, S.P.C., Rural Electrification, General, August 1942 - December 1951.

[23] *The North Battleford News*, 25 October, 1951, 20 November, 1951, in S.P.C., North Battleford, Town No. 4; *ibid.*, 6, 13 December, 1951, in *ibid.*, No. 5; Memorandum by B. Montbriand, distribution engineer, undated, J. R. Sarsfield to F. Copithorne, 22 June, 1952, *ibid.*

[24] S.P.C. Minutes, 7 November, 1952.

[25] *Ibid.*, 15 August, 1952, 14 May, 1953; *The Leader-Post* (Regina), 28 November, 1951, in S.P.C., Weyburn, Town No. 1 contains speech on integration by Tomlinson at Weyburn.

[26] J. W. Tomlinson to A. L. Cole, 10 January, 1951, S.P.C., Regina, Town No. 2.

[27] *The Leader-Post* (Regina), 12 March, 1951, in *ibid.*

[28] *Ibid.*, 19 September, 1952, in *ibid.*; A. Hayworth to H. I. Nicholl, 10 October, 1952, Power Commission file: City of Regina, L.G.B. Records.

[29] Memorandum to J. W. Tomlinson, 23 September, 1952, S.P.C., Regina, Town No. 2.

[30] Memorandum by A. Hayworth, 30 October, 1952, Power Commission file, City of Regina, L.G.B. Records. The City's attitude was described as initially cool after which it became more friendly. Also see J. W. Tomlinson to M. Gillis, 10 November, 1952, memorandum by

A. Hayworth, 9 February, 1953, S.P.C., Power Development, Integrated Provincial Power System, Power Pool.

[31] Draft: Re Contributions by Cities, 24 October, 1952, Brown Papers, PC 10, Rural Electrification, Saskatchewan. The arrangement with Regina which this document envisaged was to form an integrated system with Estevan, Regina and Moose Jaw; sell power to Regina at cost plus one-quarter of a cent per kilowatt-hour; and charge Regina an amount gradually rising and finally equalling the carrying charges on capacity it would have to install to take care of its own needs, applying the funds so obtained to finance the connection between Estevan and Regina. The arrangement would not cost Regina a cent while the funds accruing to the Corporation through the economies produced would, in effect, amount to Regina's rendering financial assistance to rural electrification and construction of the provincial high-voltage grid.

[32] Minister of Public Works to Mayor G. B. Grant, 6 December, 1952, Brown Papers, PC 14, R. Power Plants.

[33] S.P.C.—Cities Conference, 29 May, 1953, p. 8.

[34] *Ibid.*

[35] *Ibid.*

[36] The actions of the Manitoba Government led to disputes.

[37] J. R. Sarsfield to J. W. Tomlinson, 22 September, 1952, Brown Papers, S.P.C., Negotiations with Cities, General Policy, etc.

[38] J. W. Tomlinson to J. A. Darling, 26 September, 1952, *ibid.*

[39] T. K. Shoyama to J. W. Tomlinson, 9 April, 1954, *ibid.*

[40] J. W. Tomlinson to J. A. Darling, 13 March, 1953, Brown Papers, PC 14, S. Power Plants.

[41] *Debates and Proceedings*, Legislative Assembly of Saskatchewan, 1953, No. 24, 17 March, 1953, p. 19.

[42] *Ibid.*, p. 16.

[43] *The Leader-Post* (Regina), 18 March, 1953.

[44] *Ibid.*, 19 March, 1953. Grant's claim that integration would only be advantageous in case of a partial failure at the Regina power plant did not make sense. Even if Estevan and Moose Jaw could not carry the full city load during a total failure at Regina, it would seem much more desirable to have sufficient power to carry essential services than to have none at all. In addition, his statement regarding Regina generating costs left much to be desired. The Corporation was probably generating more economically at Estevan where it was operating a 15,000 kilowatt unit with much cheaper fuel. However, even supposing he was correct it would have been of little consequence. Existing generating costs were not the important consideration; future costs were, and here Estevan had a decided advantage. Events of the previous year had indicated what could happen to such costs at Regina. When questioned by City Council regarding those for 1952, H. I. Nicholl stated that plant efficiency had improved by about seven percent during the year but that an increase in fuel oil costs had more than wiped out the savings. See *ibid.*, 16 January, 1953.

[45] *Ibid.*, 26 March, 1953.

[46] F. J. Ashford to J. A. Darling, 10 April, 1953, reply, 14 April, 1953, Brown Papers, PC 16-2, City of Swift Current. Inconsistent behavior was well illustrated with respect to this question. The bill was introduced partly to meet Saskatoon's demand for an independent regulatory authority to control natural gas rates. However, when the Government included electric rates Saskatoon municipal authorities, together with those of the other two cities, protested. What Saskatoon and presumably the others wanted was absolute control over electricity which they distributed, while at the same time denying that the Power Corporation should be in the same position with respect to the gas it distributed.

[47] Proposed General Approach to City Power Conference from which an Agenda will be Prepared, 7 May, 1953, *ibid.*, PC 22, S.P.C., Negotiations with Cities, General Policy, etc.

[48] There was one possible exception. At Moose Jaw rates might have been raised. However, this would not have resulted in any money leaving the community, for the increased revenue so obtained would have been turned over to the City. Tomlinson is reported to have said that "it would be necessary to raise rates by almost the amount of the increase in the City's revenues." See A. E. Blakeney to J. A. Darling, 11 May, 1953, *ibid.*, PC 16-1, City of Moose Jaw. The Corporation was then seriously examining purchase of National Light and Power. See S.P.C., Minutes, 23 March, 17 April, 1953.

[49] Memorandum by J. A. Darling, 8 May, 1953, *ibid.*, records that when Tomlinson told Moose Jaw officials that with arrangements similar to those in effect at Prince Albert they could expect about $180,000 in 1954 if the Corporation was retailing power, Mayor Lewry stated: "On that basis you can take it over immediately."

[50] The Corporation decided to hold its proposals for financing integration in reserve until discussions at the conference reached the state where solutions were being sought. At the conference Tomlinson closed his presentation with the remark: "We have given considerable study to alternative solutions and we will be prepared to discuss them with you too." See S.P.C.—Cities Conference, 28 May, 1953, p. 30.

[51] *Ibid.*, p. 1.

[52] *Ibid.*, pp. 4-5.
[53] *Ibid.*, pp. 6-15.
[54] *Ibid.*, pp. 17-21.
[55] *Ibid.*, pp. 22-30.
[56] *Ibid.*, 29 May, 1953, pp. 2-3.
[57] *Ibid.*, p. 4.
[58] *Ibid.*, pp. 4-5.
[59] *Ibid.*, pp. 5-9.
[60] *Ibid.*, pp. 11-12.
[61] *Ibid.*, p. 12.
[62] *Ibid.*, pp. 13-15. A temporary two-year agreement had been reached in 1951, the cabinet having approved raising surcharge revenue for cities to ten from five percent.
[63] *Ibid.*, p. 30.
[64] *The Saskatoon Star Phoenix*, 30 May, 1953, in S.P.C., Power Development, Integrated Provincial Power System, Power Pool.
[65] *The Prince Albert Daily Herald*, 30 May, 1953.
[66] *The Leader-Post* (Regina), 29 May, 1953.
[67] *The Saskatoon Star Phoenix*, 30 May, 1953, in S.P.C., Power Development, Integrated Provincial Power System, Power Pool.
[68] *The Swift Current Sun*, 17 June, 1953, in *ibid.*
[69] *The Leader-Post* (Regina), 5 June, 1953, in *ibid.*
[70] *Ibid.*, 6 June, 1953, in *ibid.*
[71] *Ibid.*, 8 June, 1953, in *ibid.*
[72] T. K. Shoyama to J. W. Tomlinson, 9 April, 1954, Brown Papers, PC 22, S.P.C. Negotiations with Cities, General Policy, etc. Emphasis in the original.

CHAPTER NINE

INTEGRATION III: EQUAL TREATMENT, A WILL-O'-THE WISP

After the 1953 conference the Corporation made no further effort to reach agreement on integration with all cities simultaneously. Rather it again had recourse to negotiations on an individual basis. As a result, in the course of roughly three years, it signed new bulk sales contracts with Saskatoon and Swift Current, and an agreement providing for the partial supply of Weyburn's requirements. In this chapter negotiations leading to those agreements will be dealt with at length as they illustrate how the Corporation's objectives were compromised with the result that equality between cities was not achieved. The position of the Government will also be discussed to throw additional light on the reasons for such compromises.

Following the conference the attention of Corporation officials once more centred on the Saskatoon agreement. They regarded any new contract which might be offered to that community as very important since its terms could serve as precedents for other agreements.[1] Early in 1953, as previously noted, they worked out a formula for establishing wholesale prices for electricity. They kept their sights set on purchasing all utilities but decided with cabinet approval that as a less desirable alternative bulk power might be offered in five-year agreements at a price not less than the cost a city would incur in generating its own requirements in a plant suited to its load and having adequate stand-by.[2] Under the latter arrangement all economies of integration would become available for financing integrating facilities. It was some months, however, until they made a definite offer to the City. They had to study any proposal they might make in terms of the effect it would have on utility operations in the other cities.

Not until September 1953 was the first step toward a new agreement taken, and this was a decidedly cautious one. Darling then announced that the Corporation would meet representatives of the cities regarding integration and other problems. The Saskatoon agreement would have to be changed, but he added: "... we are not entering this thing with a cut-and-dried, take-it-or-leave-it proposition."[3]

Saskatoon's attitude, as expressed by Mayor J. S. Mills, also indicated that there was room for negotiation. Though stating that sale of the distribution system was "unthinkable," he said he had no objections to a power pool and that continuation of the old agreement would not be insisted upon. However, he made it clear that the City would be after everything it could get: "Saskatoon is interested in two things: an adequate supply of electricity, which we have now, and rates as close as possible to those at present." "I don't mind the government getting a slight profit but the new rate will have to be very little different from power at cost to justify this city accepting a worse deal." Mills also upheld municipal supremacy in some areas. In respect to limitations being placed on power profits, he stated: "That's not the business of the government. . . ." He also expressed opposition to any formula for equalizing power costs, claiming that such costs should be subject to the "laws of supply and demand" in any locality.[4] Just what laws he thought were operating when his administration extracted a monopoly profit of over 100 percent on the electricity it handled is impossible to say.

During the next few weeks the Corporation completed drafting terms designed to place Saskatoon on a basis of equality with the cities it already served retail. Describing municipal revenue as the major problem, Tomlinson urged the Government to plan for its solution within five years. Essentially, he recommended that the Saskatoon system be purchased and rates reduced, provision being made to turn over to the municipality declining amounts of money annually over a five-year period after which it would receive the standard five percent of gross revenue and ten percent surcharge on accounts. The Board of Directors authorized Darling to present the proposal to Saskatoon in outline form as an indication of its thoughts, agreeing that its implementation would be the most desirable outcome of negotiations.[5] However, Darling had already indicated that the Government was not prepared to enter discussions solely on such a basis. And Saskatoon, no doubt aware of Tomlinson's wishes, seemed by no means anxious to negotiate directly with Corporation management.

Less than a month after Darling's announcement Saskatoon officials began to fish publicly for major concessions from the Government. In a policy statement following a decision to enter the mayoralty contest, Alderman John McAskill urged that the existing agreement be extended for four or five years, alleging that Saskatoon had entered a transitional period, an inopportune time for negotiating a new electrical contract. An extension would, among other things, give the City a chance to establish a proper relationship between taxes and electrical utility profits. Alderman Herbert Sears, chairman of a special committee just established by City Council to study and deal with electrical problems, immediately endorsed the idea and just as promptly acted upon it by arranging to meet with Premier Douglas and two of his ministers, Darling and W. S. Lloyd.[6]

When the Saskatoon committee and members of the cabinet met discussions of a fairly wide scope took place. The City contended that it required time to analyze its rate schedules and to estimate the effect of natural gas on electrical consumption, that it was or soon would be making heavy capital expenditures requiring revenue from power or an alternative source, that the possibility of utilizing hydroelectric energy could be determined more accurately in five years and that any increase in power costs to itself would be used to subsidize other areas. Therefore, the existing agreement should be extended.[7] Mayor Mills also expressed the opinion that the Saskatoon power plant still belonged to the City and that the agreement in force was binding on the Corporation in perpetuity.

Though the Government did not see fit to grant the municipality's request, its position was fairly flexible. In summing up discussions Douglas stated that three courses were open to the City: it could buy power in bulk, sell its distribution system to the Corporation and receive comparable monetary returns, or build a plant to generate its own requirements.[8] The second alternative indicates that Douglas and his associates were not prepared to limit municipal revenues to the extent suggested by Tomlinson and the third was somewhat at variance with statements by the Honourable James Darling, minister in charge of the Corporation. Procedure along such lines would lead to dispersal of generating facilities where they were already concentrated rather than further concentration in large plants, as Darling had informed the legislature would be done.

Further discussions took place early in the new year, this time between the Saskatoon committee and members of the Corporation's Board of Directors. Witnessing the City making all its approaches on an essentially political level, Corporation management became somewhat perturbed. The City had never approved proposals made at the power conference. Thus when technical people like themselves were excluded from meetings at the request of Mayor Mills some of them interpreted the move as evidence of a desire by the City to settle the power question to its sole advantage. As one of them put it, Saskatoon apparently wanted to avoid discussing economic matters and to ignore provincial problems "by having recourse to a solution in the political sphere. . . ."[9]

These preliminary discussions concluded, Corporation officials drafted new proposals (approved by the Board as "in substance the final proposals")[10] for a five-year agreement which were formally submitted to the City in April 1954. After briefly discussing the need for and benefits of integration and the shortcomings of isolated plants, and suggesting that Saskatoon should contribute toward the cost of the provincial system, the Corporation offered to sell power in bulk or to purchase the municipality's distribution system. If the City elected to purchase wholesale, the price of power would be "the cost for which the City could produce it . . . in a plant suited to the size of the city load with adequate spare capacity." "Integration in the Saskatoon area," it said, "is now a factor which makes it nearly impossible to continue to sell power on a 'cost' basis since the facilities contributing to service at any time are variable and often used for other purposes." The suggested price was 1.15 cents per kilowatt-hour. Should the City choose to sell its distribution system, the Corporation would pay about $2,000,000 for it.

On the basis that power was making too large a contribution to municipal revenues, the Corporation also included a schedule of ceilings for rates which would apply regardless of who did the retailing. Thus under either arrangement its proposals provided that the City would receive the same amount of revenue and consumers the same rate reductions. Finally, municipal authorities were urged to sell their facilities and make Saskatonians full partners in the provincial system. Such a procedure would make the capital invested in the distribution system available for other purposes, enable the City to avoid making expenditures to expand and improve its system, and probably save the municipality money since any savings accruing to the Corporation from combining electrical distribution with gas operations would be passed on. All things considered, Corporation officials judged that their proposals would assure the City of "sizable contributions" toward its revenue.[11]

In a sense the Corporation's offer was not quite all it was made out to be. It had estimated that Saskatoon could generate its own power for 1.05 cents per kilowatt-hour. Yet the City was requested to pay 1.15 cents. The Corporation was, therefore, seeking to obtain for itself more than just the economies of integration and proposed to explain the one mill assessment to city authorities "as a standby charge for other plants which are interconnected with the plant at Saskatoon."[12] However, the proposals represented a major effort on its part to adjust itself to various pressures. The Economic Advisory and Planning Board, which took part in drafting the offer and suggested the one mill assessment as a means of insuring the Corporation what Planning Board members considered a reasonable minimum income, described it thus:

> . . . the . . . proposal . . . is a substantial retreat from the position previously upheld by the Corporation. The ideal solution to Saskatchewan's power needs, as envisaged and frequently advocated by the Corporation's officials, calls for an integrated power system throughout the province, and involving the complete ownership and operation by the Corporation of all generating, transmission and distribution facilities. The original hope, therefore, was to be able to make an offer to purchase the Saskatoon distribution system. Throughout the past year, however, as a result of pressure made evident through the power conference, negotiations with various city authorities, and discussions with the Government, Corporation officials have been seeking a realistic watering-down of the ideal policy. The proposal now put forward seems to represent a maximum effort to accommodate all these pressures. . . . The critical dilemma for the Power Corporation is the fixed opposition of municipal officials and their ratepayers against any important increase in direct taxation as an acceptable alternative to revenue from utility profits. . . .[13]

But was the Planning Board's suggestion for a one mill assessment really a good idea? It is debatable. On the basis of evidence, it appears possible that Saskatoon might have accepted a bulk rate of approximately one cent without much argument. Upon receipt of the Corporation's proposal Alderman Sears' committee turned it over to their electrical engineer, W. A. Friebel, for analysis. Among other things, Friebel questioned the proposed bulk rate, describing it as "considerably too high." Data concerning the operation of the Saskatoon plant were available to him, and he concluded that total costs per kilowatt-hour to supply only Saskatoon would be between one and 1.06 cents or perhaps slightly lower. Questioning as well other parts of the offer, he concluded that it was not satisfactory. Consequently, he recommended that the City reaffirm its request for continuation of the existing agreement, negotiate without reference to natural gas distribution, hire a consultant to study power production costs and obtain rate schedules from the Corporation to cover its proposals.[14]

Friebel having raised serious questions concerning the Corporation's terms, Sears and his colleagues sought a one-year extension of the existing agreement in order to procure the assistance of consulting engineers. The cabinet and the Board met them half way, agreeing to a new termination date of June 30, 1955. Thereupon the City hired the Stone and Webster Engineering Corporation of Boston, Massachusetts, to study, among other things, the cost of producing its own electricity. Figures obtained from the firm, Friebel believed, would be difficult to challenge since it was familiar with the local plant, having supervised part of its construction.[15]

Meanwhile, in order to hedge against other eventualities, Saskatoon officials held closed solidarity discussions with representatives from certain other cities. Sears and his associates feared that the Corporation might attempt to make them sell their utility. Consequently, apparently at the suggestion of Swift Current officials, delegations from the two cities met privately with Weyburn and Regina representatives during the annual convention of the Saskatchewan Urban Municipalities Association. A short time later the four cities held a further meeting in the capital. According to Sears, they agreed that all would stand together to obtain "fair conditions" and to support Saskatoon in its stand.[16]

Not until late autumn, after obtaining the report of Stone and Webster, did Saskatoon formally reply to the Corporation's proposals. It then totally rejected them, together with some of their underlying principles, and submitted a counter proposal: "The Electric Power Committee of . . . Council is unanimously opposed to the sale of the . . . distribution system, and this proposal . . . is therefore rejected. The Committee is not prepared to recommend a five year agreement and considers that the minimum term must be ten years with . . . automatic renewal . . . on application of either party. . . . The Committee cannot accept the principle of including consideration of retail rates as being a proper factor in negotiations. . . .

The Committee has been unable to verify the offer of bulk power at a rate of 1.15 cents. . . ." It then made its counter proposal based on amortizing capital costs over a period of thirty years. In short, it offered to accept a ten-year agreement under which the Corporation would be paid an average price of 0.856 cents per kilowatt-hour during the first five years.[17] For the Corporation to have accepted such conditions would have resulted in the municipality obtaining power at a significantly lower price than it had been paying.

Saskatoon having rejected their offer, Corporation officials re-examined their proposed rate and found it appropriate considering the one mill assessment.[18] However, within the next few days, during which a meeting took place between Saskatoon and the Board of Directors, both sides concluded that certain compromises were in order. Since its rate had been based on the estimated cost of production for the first year only, the Corporation decided to offer a new one—1.10 cents—based on average costs over a five-year period, the conditions governing a reduction in retail rates previously set out to apply. The City, on its part, decided that twenty-five years would be a long enough period over which to amortize capital costs. Friebel also suggested that the municipality contribute half a mill per kilowatt-hour toward integration.[19]

With agreement coming closer, Saskatoon turned up data supporting its position. One of the charts used at the power conference showed production costs as being approximately nine mills for a load roughly applicable to Saskatoon. Municipal authorities thus made a new counter proposal. Referring to the chart and to findings of Stone and Webster, they stated that they were prepared to pay the rate shown on the chart for an agreement covering five and a half years and to contribute half a mill toward integrating facilities in accord with the Corporation's claim that integration should be taken into account in establishing bulk rates. If the offer was not acceptable, Darling was informed, the electrical committee would advise City Council to proceed with the construction of its own plant.[20]

The Board of Directors had evidently already decided to drop efforts to exercise a measure of control over Saskatoon rates.[21] Now presented with the Corporation's own chart, aware that Saskatoon (according to the findings of Stone and Webster) might be able to produce power for 0.9945 cents per kilowatt-hour and advised that if the City was required to pay more than 0.95 cents, rates for certain highly desirable industrial consumers would be raised, the Board agreed to accept.[22]

In announcing that agreement had been reached Mayor John McAskill hailed the new contract as "overwhelmingly in our favor." Well he might rejoice. The same issue of *The Star Phoenix* which carried his statement informed Saskatonians that their last electrical account showed "power at cost" to be 0.943 cents per kilowatt-hour, a mere seven one hundredths of a mill below the new contract price![23] What that meant in terms of "equal treatment" will be dealt with shortly. But first the completion of agreements with Swift Current and Weyburn will be discussed in order that the three may be analyzed simultaneously in this respect.

Within a few weeks of the commencement of formal negotiations with Saskatoon, the Corporation also submitted proposals to Swift Current. In this case its offer more nearly resembled the one Tomlinson had originally proposed for Saskatoon. In the event that the City was willing to sell its distribution system, the Corporation would pay about $200,000 for it, make major reductions in retail rates and provide the City with substantial revenues. Terms were designed to assure municipal authorities of surcharge income considerably above ten percent, while on paper limiting their revenue from power to about fifteen percent of the power dollar. The municipality could also buy power in bulk for resale at rates established by the Corporation. But since Swift Current was a smaller community and generating costs were higher in that area, the proposed bulk rate was significantly higher.[24] To encourage municipal authorities to get out of the power business and possibly because their rates were out of line with those in force elsewhere in the province, the two alternatives were set up in a manner designed to give the City more revenue and consumers greater savings if service was provided by the Corporation on a retail basis.[25] The offer emphasized the importance of low rates as a device for increasing sales and reducing power costs.[26]

As in the case of Saskatoon, it may well be that Corporation officials were quite certain which of the alternatives the City would prefer. A few weeks earlier they had been advised that municipal authorities were not disposed to sell their facilities and wished to negotiate a continuation of the old agreement.[27] Perhaps the request, refused by the Board of Directors, was the result of the conference between the cities. In any event, many months passed before settlement was reached. First, outstanding matters relating to the old contract had to be settled. Swift Current had protested the size of administration charges assessed against it and had permitted the account to fall into arrears in 1950. The Corporation eventually agreed to a compromise, reducing such charges by about twenty percent.[28] Not until December 1956 was a new bulk sales contract signed. As with Saskatoon the Corporation then granted a lower rate than originally tendered and temporarily ceased attempting to limit the size of the local power surplus or to direct the City concerning how any part of it was to be used. Plans to control the level of electric rates were thus shelved. In addition, it agreed to help finance certain new facilities required by the City for its distribution system.[29]

While negotiating the foregoing agreements, the Corporation concluded a third with the City of Weyburn. As a result of it, Weyburn, which had been completely independent insofar as its electrical utility was concerned, began purchasing stand-by service and part of its energy requirements. Before discussing negotiations leading to the agreement, however, it is desirable to draw a general picture of the Weyburn utility itself.

Weyburn's electrical utility could by no stretch of the imagination be described as first class. It was a prime example of much that the Corporation claimed was wrong with municipal management, the product of a policy of maximum city revenue and minimum service. As previously mentioned, Weyburn's power supply was very insecure. At peak load period under the most favorable circumstances the municipality had only an inadequate, obsolete reserve of generating capacity and insufficient spare boiler capacity "in not too good condition."[30] The distribution system was about on a par with the powerhouse, requiring "considerable material and labor . . . to bring adequate service to . . . customers."[31] Much worse, the system was a threat to the lives of the men who ran it and the people whom it served. Its condition was such that not only could employees be electrocuted but members of the general public as well.[32]

From the manner in which Weyburn operated its electrical utility, it is evident that revenue was acquired at the expense of service and safety. It is therefore reasonable to believe that the City's estimates of power profits would exceed such estimates by the Corporation. Evidence indicates that municipal officials evaluated Corporation proposals by comparing them to the monetary results they believed were obtainable through their own methods of running the local utility. More than that, such offers were considered largely in terms of municipal revenues, little consideration being given to how they would affect total power costs to Weyburn citizens. These things should be kept in mind during the discussion which follows so as to appreciate the position in which a publicly owned corporation is placed when it must deal with the public, particularly when government policy is not clearly enunciated.

Negotiations with Weyburn commenced a few months after the power conference. At the request of the City the Corporation studied alternative methods of meeting future electrical needs of the community. As a result, and with Board of Directors' approval, Tomlinson advised the municipality that power should be brought in by transmission line. Pointing out that a 66,000 volt line already existed between there and Estevan, he stated: ". . . studies to date indicate that, without doubt, no further capacity should be installed at Weyburn. This is due largely to the higher overall efficiency of larger steam plants, and the fact that Weyburn will be on the route of the tie-line between Estevan and Regina and, being a small load compared to the capacity of either of these plants, can readily be served from the line with at least two sources of supply."[33]

Believing that the community's interests would be best served by disposing of its utility, the Corporation worked out a purchase proposal designed to place Weyburn on essentially the same footing as Prince Albert, North Battleford and Yorkton stood in relation to itself. In short, Corporation officials offered to pay $444,000 for the entire system and reduce electric rates twenty-five percent. On the basis of 1952 consumption, they judged that their proposal was worth over $52,000 annually to the City and over $26,000 to consumers while enabling the municipality to avoid an expenditure of $290,000 on its system. All in all, they regarded their offer as generous, Tomlinson writing: ". . . our proposal shows that the total benefits to the citizens would be much greater if served by the Provincial utility and the income to the City . . . will exceed the projected surplus by operating a separate utility, by a considerable margin."[34]

After considering the proposal for some time Weyburn authorities indicated that the price was unacceptable and outlined their position. According to Tomlinson, Mayor F. C. Eaglesham stated that they were not opposed to integration and had no desire to remain in the power business for the sake of local autonomy but that any new arrangement would have to be equivalent to the previous one as far as City revenue was concerned. Tomlinson paraphrased part of the discussion thus: ". . . the Mayor pointed out that the main issue was a matter of collection of taxes and that even if some other sources of revenue were made available . . . they would still require the surplus from the power utility to operate their City."[35]

Weyburn officials doubtless regarded their position as reasonable. However, their insistence on maintaining municipal revenue from power at its existing level created a dilemma for the Corporation. Its objectives of providing both reasonable revenues to cities and rate reductions to consumers came into conflict. Besides, the Corporation believed it had already proposed to provide the City with more revenue than it could claim to be really earning on power sales. The municipality, according to its financial statement, had realized a surplus of $77,131 on the operation of its utility in 1952. However, if Corporation accounting methods were used the surplus would have been only about $46,000. "Any amount in excess of this," Tomlinson wrote, "must be considered as investment income or using up of capital assets."[36]

Early in 1954 the City obtained a brief consultant's report on its position if it sold out. The report indicated that in order to maintain municipal revenue from power at its existing level, the City would have to obtain about $500,000 more for its system than the physical value of the system.[37] Consequently, Weyburn formally rejected the Corporation's offer. At a City-Government-Corporation conference, J. H. Stavely, the new mayor, stated that he and his colleagues could not accept the price set by the Corporation as the value of their system. Discussions produced wide differences of opinion as to its earning power. Other methods of supplying the community's power requirements were also discussed, but none could be agreed upon.

In the course of the meeting it became fully evident to Corporation officials that from the City's point of view agreement could be reached only if the City itself was assured of obtaining the revenue it deemed necessary.

In the hope of achieving that end Weyburn representatives made a counter proposal. They offered to sell for $800,000 plus five percent of gross revenue and ten percent surcharge payments. Corporation spokesmen responded that such a price could not be justified under its policy of standard rates, only to be informed that Weyburn citizens were completely satisfied with rates in effect and a reduction need not be considered. On the basis that it might be possible to give the City $400,000 in cash and a further $400,000 over a period of years with the extra revenue obtained by applying Weyburn rates, the Corporation agreed to work out a new proposal, the City in turn agreeing to put its offer in writing.[38]

Within a few days the City submitted its written proposal. However, in the meantime the Corporation had been studying the terms and found them unacceptable. Tomlinson advised Darling that, though the City had been able to show high profits during 1952 and 1953 through its accounting methods, it could not continue doing so even if electrical consumption continued to increase rapidly. Its whole system was being used beyond the normal limits of its capacity. Increases in revenue would not carry forthcoming heavy capital expenditures. And the ability of citizens to pay high rates and use ever increasing amounts of power was dependent on economic conditions which could not be guaranteed. To accept Weyburn's offer would be to place all risk on Corporation customers and give the City "a guaranteed income based on . . . an abnormal revenue. . . ."

Tomlinson, however, did not give up hope of purchasing the Weyburn system. Instead he drafted new terms which might be offered to the City. Estimating that the municipal utility was worth only about $250,000 to the Corporation, he advised Darling that a cash payment of $500,000 could be justified. As well, the City could be offered standard gross revenue and surcharge income and "special rate differential" payments which would gradually decrease, disappearing in ten years. To enable his organization to make such payments he reluctantly acceded to the City's request that above standard rates be applied for five years. Nevertheless, predicting that there would be pressure from such organizations as the Board of Trade for better service at lower rates, he proposed that they be reduced somewhat.

According to Tomlinson his new offer deviated from the former one by "transferring the greater part of the customer savings to the City Treasury" and would be equivalent to the City's proposal over a period of time, provided load growth was at least ten percent per annum. Summing up and relating the terms to other cities and the situation in which the Corporation found itself, he stated:

> We feel that this offer contains benefits to the City . . . that cannot be equalled by any bulk sales proposal with even moderate rate control and is vastly superior to permission to extend their own facilities which would be completely inadequate at the end of the 10-year period. . . . It is difficult to assess the effect . . . on negotiations with other cities. Swift Current will want a similar arrangement to assure them of

> $130,000 per year which would mean quite high rates compared with North Battleford and Yorkton, but not higher than Swift Current's present schedule. The same formula used at Saskatoon would net the city over a million dollar*d* [*sic*] per year assured revenue, the same as bulk agreement without rate control. . . . However, unless certain cities which have become accustomed to large revenue from power sales are offered another source . . . it appears that the Provincial system cannot achieve, in full, its objective to bring lower cost electric power to the people of Saskatchewan.[39]

The Corporation was plainly doing its utmost to meet the demands of Weyburn.

And what were the results? Nothing spectacular. Darling, as Chairman of the Board of Directors, informally submitted the new offer to the City only to be told it was not good enough. Consequently, "in consultation with the cabinet," he upped the ante, agreeing to provide the City with a bit more money by applying slightly higher rates than Tomlinson had proposed. But this offer too was rejected, necessitating further consultation with his cabinet colleagues. The upshot was yet another proposal best described as designed to drain the last drops of consumer savings into the coffers of city hall. The municipality was offered half a million in cash and a quarter of a million in ten annual installments bearing no interest, plus standard gross revenue and surcharge income.[40] The incompatibility of the Corporation's objectives of providing reasonable revenue to a city and rate reductions to its citizens under existing circumstances was all too clear.

Not for about six weeks did Weyburn give its decision. Then on June 1, it informed the Corporation that, although the aldermen themselves were apparently prepared to accept it, the offer was still inadequate. According to Darling, municipal officials who met with the Corporation stated that there had been considerable opposition to the offer in council, and only after many meetings did opinions change. While not unanimous the aldermen appeared ready to give their approval. During the interval, however, they had met with a select group of local businessmen to discuss the proposals and had at once encountered violent opposition, opposition which appeared to moderate only after "fuller discussion and better understanding."[41] As a result, Council became convinced that it would be difficult, if not impossible, to obtain approval of the burgesses because, it claimed, sale would create a need for an increase in taxes. To make the offer more attractive the City now asked the Corporation to grant a rate reduction, instituting Melville or, better still, North Battleford rates. It also requested interest on the annual payments.

In describing discussions Darling asserted that he was convinced Weyburn officials were not on a "chiselling expedition" but were really concerned about a sale being accomplished. Mayor Staveley, he wrote, informed him that he favored the terms as they stood. "On our part, Darling recorded, "we made it clear that we felt the offer . . . was a very generous one and was not based on the economics of the proposition but made generous allowance for the taking over of a going concern and a large block of consumers." Nevertheless, he promised that he and his associates would again re-examine their proposals.[42] In an effort to cooperate as fully as possible, they agreed to reduce Weyburn rates between five and ten percent. The concession, however, was made in vain. Also without effect was intervention by the Premier. Douglas personally appealed to Council to accept, and at his suggestion the Corporation's offer was published in the Weyburn paper in an effort to wring approval from Council but to no avail.[43] After the Corporation raised its offer for the system, transferred all the savings for consumers in its original proposal to the municipal treasury, and agreed to grant a rate reduction to boot, municipal officials said that they were "very disappointed" in the rate schedules submitted and that the offer was not satisfactory.[44]

Unable to obtain all concessions requested, Council took up the alternative of expanding its plant. Then upon being authorized by the Power Commission to do so and after a second meeting with elements of the business community, it passed a resolution declaring that it would not be in the best interests of the citizens to accept the Corporation's offer and announced that it would spend $250,000 on its generating station. According to figures presented at the meeting City revenue during the next ten years under municipal operation might amount to $1,444,546 whereas it would only be $744,100 if service was provided by the Power Corporation. "As a council," Mayor Staveley was quoted as saying, "we are not opposed to integrated power. If it is as good as they paint the picture then they (the Corporation) should be prepared to pay a proper price for the plant."[45]

In commenting on the City's decision Darling stated that expansion of the power plant would not increase the sale price of the Weyburn system, the Corporation having planned to transmit power from Estevan rather than produce it locally.[46] Corporation officials also quickly turned to what they regarded as the second best alternative, the sale of power in bulk. And within a short time a five-year agreement resulted, the City contracting to purchase stand-by service and part of its energy requirements.[47] Expansion of the Weyburn plant was thus at least postponed except for the installation of a boiler said to cost $100,000.

Did the City make a sound decision? Evidence strongly suggests that it did not. Darling's comments to the effect that the Weyburn Council was apparently prepared to accept the Corporation's offer have already been noted. Weyburn records also attest to the difficulty municipal officials had in making up their minds.[48] All in all, they seem to have wished to do what was best for all concerned as they saw it. But they were faced with technical questions which they do not seem to have understood and which had to be solved at a time when the provincial electrical utilities situation was being rapidly transformed. Their meetings with businessmen were held in an effort to obtain guidance. Unfortunately, municipal authorities

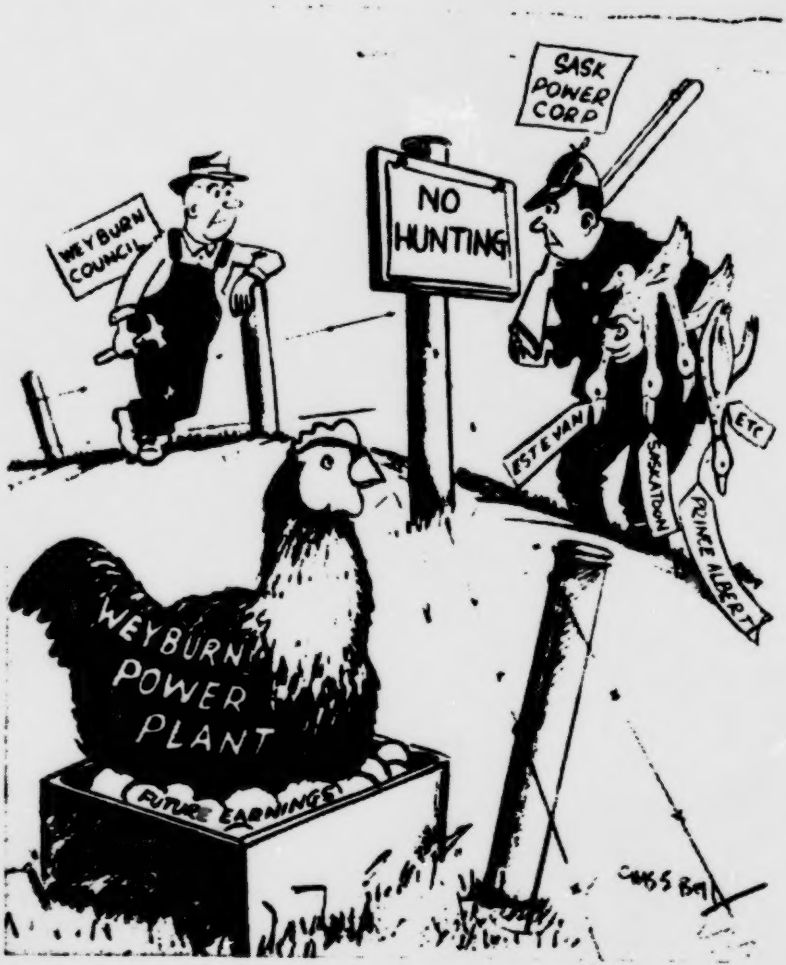

SASK POWER CORP
NO HUNTING
WEYBURN COUNCIL
ESTEVAN
SASKATOON
PRINCE ALBERT
ETC
WEYBURN POWER PLANT
FUTURE EARNINGS

Fig. 2. How one paper viewed the Weyburn situation. (Courtesy *The Leader-Post*)

]

did not know what they could really expect from their utility in the future and consequently presented businessmen with completely inadequate comparisons when seeking opinions on whether to accept the Corporation's offer or expand the local plant. City authorities knew and did not hide the fact that their figures left much to be desired. Nevertheless, those figures weighed so strongly in favor of retention and expansion of the municipal plant that it was practically a foregone conclusion that everyone present would favor such a scheme.[49]

As a result, the City continued to operate its own system for an additional five years. The surpluses accruing to the municipality during those years indicate just how fantastic figures presented to local businessmen really were. Indeed, they lead to the conclusion that the course adopted did not result in the municipal treasury being enriched but rather the opposite.[50] So too does other evidence. The Minutes of the Board of Directors clearly show that the Corporation invariably set up options for cities which would yield a higher net return for itself if a city chose a bulk purchase over a retail service proposal.[51] Finally, that the City showed even the surpluses it did must be attributed at least in part to Weyburn citizens using electricity produced at high cost and distributed over a second-rate, unsafe system.

Other data also indicates that the City should have disposed of its system. Corporation estimates placed Weyburn production costs at 1.90 cents per kilowatt-hour. The City evidently believed its costs were about 1.60 cents. Electricity which the Corporation would have transmitted to the city to meet its requirements was being produced at Estevan for slightly over half a cent.[52] In view of such contrasts the continued operation of the Weyburn plant was not an economic proposition and the expenditure of $100,000 on it simply a waste of money.

As will have been observed the Power Corporation suffered a number of setbacks in reaching agreements with the three cities. None would part with its facilities. Thus complete integration of generation and distribution could not be accomplished. None would agree to limits being placed on revenue from power. Hence rates were held above levels the Corporation deemed desirable, cheap electricity having to give way to municipal revenue all along the line. More than that, the Corporation accepted lower wholesale rates for both Saskatoon and Swift Current than it originally requested. Those cities therefore made smaller contributions toward financing the provincial system than Corporation officials hoped to obtain from them. All things considered, it would appear that not a great deal was accomplished toward achieving Darling's stated objective of treating the various cities equally, taking all factors into consideration. In respect to municipal revenue, the cities served on a retail basis obtained about fifteen percent of the power dollar.[53] On the other hand, without rate control Saskatoon, Weyburn and Swift Current could and did obtain more. It might be argued that this was not unequal treatment since, if the cities kept their rates higher than the Corporation wished, they were simply taking money from their own citizens. To do so, however, is to ignore the arguments for rate control. Low rates would stimulate consumption and make possible lower generating costs. Keeping their rates high compared to those set by the Corporation for its own retail customers and purchasing power from the provincial system actually meant that the cities were taking benefits resulting from the creation of that system but, for the convenience of those in charge of municipal financing, were not accepting its disadvantages.

There were also other inequalities. When working out its original proposal for Saskatoon, the Corporation estimated that it was earning profit of about five and a half mills on each kilowatt-hour sold in Yorkton, North Battleford and Prince Albert. This contrasts sharply with approximately four-tenths and eight-tenths of a mill earned on sales to Saskatoon in 1955 and 1956.[54] To draw a really accurate comparison the rate reduction granted to the Corporation's retail customers in 1955 would have to be taken into account. Nonetheless, the return on sales to the City of Saskatoon in 1956 did not equal one-third of the average amount (2.8 mills) earned on all kilowatt-hours sold by the Corporation that year.[55] In view of such differences one could scarcely claim that in practice equal treatment involved equal contributions toward construction of the integrated system. Indeed, on the basis of the price at which power was sold to Saskatoon and estimates by the Corporation and by Stone and Webster of what it would cost the municipality to produce its own electricity, it would seem that Saskatoon continued to receive part of the savings resulting solely from integration toward which until then it had contributed little.[56]

While a search of the records did not yield data from which to draw conclusions regarding the contributions of Swift Current and Weyburn toward the integrated system, they too seem to have enjoyed a favored position. At a conference on power policies in 1957 it was disclosed that concessions had been made to them because of their preferential position in relation to energy resources: Weyburn to lignite and Swift Current to natural gas.[57]

Why was it necessary for the Corporation thus to compromise its objectives in reaching agreements? As already indicated, it was partly because of resistance offered by the three cities to its proposals. But, as the Economic Advisory and Planning Board implied and as had been shown, it was also the result of the position adopted by the Government. Having indicated in 1949 that an integrated power system would be built and having campaigned in 1952 for re-election on a promise that thousands of farms and all towns would be electrified during the life of the next legislature, a program which necessitated the establishment of such a system on a province-wide basis, the Government hesitated to take certain steps to facilitate it.[58] Among other things, it did not proclaim its electrical rate control legislation, it did not require utilities to conform to standard accounting practices and it did not adopt as policy any of the methods for financing integration worked out prior to the power conference. Since the Government did not act to control rates, the cities could scarcely be expected to accept such regulation at the hands of the Power Corporation. Without rate control and standard accounting methods, Weyburn and the Corporation negotiated in two different languages much of the time.

For the Corporation to be in a position to carry out its integration program with a minimum of difficulty, the question of city revenues had to be settled. The only way the Corporation could do this on its own was to try to meet the demands of the cities. Only the Government could settle it in any other manner such as by opening other sources. In regard to the problem and a possible solution the Economic Advisory and Planning Board stated:

> It may be considered unavoidable that the cities now enjoying utility profits should be guaranteed all or the major part of such income, without resort to increased taxation, but if this is so, there is no reason why the *burden* of providing it should be *borne wholly by the Power Corporation*. To insist that it do so is to add a further disability to an important Government utility which is already operating under severe handicaps. We believe that the Government should therefore give careful attention to some bold alternative means of supplementing municipal revenues. This should be accompanied by a reduction in the obligations of the Power Corporation in this regard, thus providing it with a greater degree of much-needed freedom . . . perhaps the most logical one would be to shift a proper share of the burden to the other major utility operated by the Government, the Telephone Company, which alone of the Government's commercial enterprises pays nothing to the cities in lieu of taxes. If a practicable method to do this could be devised, with adequate safeguard, each of the three utilities—power, gas and telephones—could extract a modest contribution from its consumers for payment to the urban centres, rather than the major part of the burden being carried by power alone.[59]

That the Government was aware of the extent of the difficulties the municipal revenue question imposed on the Corporation is obvious. In a letter to the Premier, Darling stated: "Our province is probably the most costly in Canada to serve with electric power . . . and yet we are the only province which contributed two million dollars from power revenues to city revenues last year." The practice was "the stumbling block in all . . . attempted negotiations." But Darling saw no solution. He believed the cities needed revenue in addition to that raised by taxation but was opposed to instituting subsidization by the telephones. To do so would require an increase in rates. They had only recently been raised to provide capital for expansion. The unsatisfactory position in which the Corporation was placed, as well as himself as Chairman of the Board of Directors, was evident. In reference to its efforts to find a formula which would protect its financial position and be fair to all cities, he asserted: "Although Mr. Tomlinson has not admitted defeat a measure of frustration is very evident. . . . He has, on occasions, questioned the logic of a policy which requires that city revenues be subsidized from the power utility while Saskatchewan Government Telephones makes no contribution. The only answer to that is that it has always been so."[60]

Seemingly unable to open other sources of revenue to the cities, the Government was unwilling to control rates, much less adopt the even more politically unpopular course applied in Manitoba, of ending diversions from power to general municipal revenues. As a result, its attitude toward integration was conciliatory and flexible. The options which Premier Douglas stated were open with Saskatoon have already been discussed. He took the same position during negotiations with Weyburn. Concerning a proposal from municipal officials he wrote to the Corporation's Board of Directors as follows: "I think that an endeavour should be made to reach some finality on this question in the near future by (a) Making some counter-proposal . . . (b) If no agreement can be reached regarding the purchase of the plant, some specific offer for selling power in bulk should be submitted or (c) The City . . . should be told that we reluctantly accede to their request to extend their present generating facilities."[61] In short, while Corporation management was attempting to carry out its task of building an integrated power system, the best means by which certain government goals might be achieved, the Premier was in effect advising the Chairman of the Board: concentrate generating capacity at selected locations or do not so concentrate it.

In the final analysis, it is to the rather indefinite state of government policy that the unequal treatment of cities described above must be attributed. Because of its structure the Power Corporation could be no more firm than the Government itself was in dealing with the cities. Reaching agreements involved policy decisions, decisions to be made by the Board of Directors or indeed at times by the cabinet itself. The chairman and vice-chairman of the Board were (and are) cabinet members. And it is mainly through the Board, together with a system of budgetary checks, that the Province controls the Corporation. Thus where matters of policy were concerned such as offering specific terms to a city or granting concessions requested by it, Corporation management was bound by what the government of the day was willing to support.

Just how does one account for the role played by the Government in negotiations leading to integration of electrical facilities? T. C. Douglas recently had this to say:

> The negotiations . . . have to be seen in the light of the situation which prevailed at that time. The government could have introduced legislation taking over the small . . . systems of all communities . . . but we felt it was unwise to do so. There was a sense of local pride in these community-owned power projects. This was particularly true of the City of Regina. . . . The government was convinced that in terms of economics it was much better to have the . . . Corporation as the sole generator of power. In our view it didn't matter whether it was sold to the cities in bulk or distributed by the Power Corporation; the main

> objective was to get electric power to Saskatchewan citizens at the lowest possible cost.
>
> For these reasons we felt our way slowly and carried out lengthy negotiations. . . . This left the local councils three options: (a) they could buy power in bulk and distribute it themselves, (b) they could sell their distribution systems to the SPC and be guaranteed a share of the returns from distribution . . . , (c) they could build plants themselves—but we pointed out that the cost of building new plants or expanding existing plants would be uneconomical and the price they would have to charge their customers would be considerably higher than would be the case under propositions (a) and (b). I don't think either the local councils or ourselves took option (c) seriously[62] but, unless we passed legislation depriving them of their authority to do so, we had to include it as an option. . . . Of course, they knew as well as we did that in economic terms this was not a viable option under the circumstances.
>
> Another factor which is to be kept in mind is that the local councils had even more difficulty in persuading their citizens than we had in persuading the councils that the time had come to discontinue the generating of electric power on a municipal basis. In the case of Weyburn, with which I am most familiar, the citizens were extremely reluctant to give up the old plant since they looked on it with considerable pride as a symbol of municipal public ownership. Also there were those on the council who, while recognizing the economic advantage of entering into an arrangement with the SPC, bowed to public pressure to expand their facilities and go it alone. The government was convinced that this would be a wasteful expenditure, but we saw no reason why we should introduce compulsory legislation at a time when there were so many other communities who were willing to conclude a deal with the SPC, so that there was no need to push them unduly.

You have asked me, Douglas went on to say, why we did not

> introduce compulsory legislation and thereby avoid long periods of negotiations and some of the wasteful expenditures (although they were relatively few) that might ensue. I think the answer is twofold. First, we felt that it was better to proceed by negotiation rather than by compulsion. While it is true that the municipalities are creatures of the provincial legislature, nevertheless they have to be negotiated with as the elected representatives of the people residing in their communities. We were constantly being accused of using "compulsion." As a matter of fact, we sought to reach desirable social objectives by a process of persuasion wherever possible. The second reason was that the problem of raising capital funds was not an easy one and therefore we could afford to move slowly, having in mind that the economics of a single electrical generating authority was so compelling that most communities would eventually recognize the desirability of entering an arrangement with the SPC.[63]

Despite the flexible nature of official policy and the shortcomings of the agreements reached with the three cities, those agreements were a significant advance for the Corporation. The sale of power at cost, upon which had rested the preferred status of Saskatoon and Swift Current, came to an end. Substantial expenditures on Weyburn's small power plant were also prevented. That the provincial utility would thereafter obtain some profit on electricity consumed in the three communities meant that greater reserves would be available for building the integrated system, which alone could provide all parts of the province with power in adequate quantities. The arguments of Corporation officials for lower rates were also not completely in vain.[64] Progress was thus made toward their objectives.[65] Equally important, the Corporation was gradually acquiring the means by which it would solve the problems confronting it. As mile upon mile of heavy transmission line spread across the province, as its urban and rural loads grew, as its major plants increased in size, and as it became possible to establish even more economically operated generating stations, its power production costs fell further and further below those attainable in isolated city plants. It would thus eventually be enabled to purchase the systems it desired, meeting demands for municipal revenue to the satisfaction of city authorities.

Footnotes to Chapter IX

INTEGRATION III: EQUAL TREATMENT, A WILL-O'-THE-WISP

[1] Brief Respecting the S.P.C.'s Bulk Sales Power Contract with the City of Saskatoon, 26 September, 1952, Brown Papers, PC 14. S. Power Plants.

[2] S.P.C., Minutes, 23 January, 1953.

[3] *The Leader-Post* (Regina), 8 September, 1953.

[4] *The Saskatoon Star Phoenix*, 9 September, 1953, in S.P.C., Power Development, Integrated Provincial Power System, Power Pool.

[5] J. W. Tomlinson to J. A. Darling, 13 October, 1953, Brown Papers, PC 16-3, City of Saskatoon, Power Agreement. Tomlinson estimated that municipal revenue would decline from about $857,000 the first year to $585,000 in the fifth, after which it would rise. The reduction in municipal revenue would have been considerable. During 1952 the City obtained over $1,000,000 from its electrical utility. By this time cities served on a retail basis were receiving five percent of gross revenue and ten percent surcharge payments. Also see S.P.C., Minutes, 19 October, 1953.

[6] Unidentified clippings, 3, 5, 6 October, 1953, in papers of Herbert S. Sears now in author's possession. Hereinafter cited as Sears Papers. Also see T. C. Douglas to J. Anderson, 15 October, 1953, reply, 16 October, 1953, *ibid.* Attorney General J. W. Corman and Provincial Treasurer C. M. Fines also attended the meeting. See unidentified clipping, 14 November, 1953, in *ibid.*

[7] Electrical Facts for Presentation to Provincial Government, undated, *ibid.*

[8] Notes on Discussions re Saskatoon Power Agreement, 12 November, 1953, Brown Papers, PC 16-3, City of Saskatoon, Power Agreement.

[9] Notes on Saskatoon Situation, undated, *ibid.* Also see T. C. Douglas to H. S. Sears, 21 December, 1953, J. A. Darling to H. S. Sears, 8 January, 1954, reply, 12 January, 1954, Sears Papers. Saskatoon did hope to reach a settlement at the political level, but Premier Douglas stated at once that he preferred the City to negotiate with the Corporation through its Board. Mayor H. S. Sears to author, 26 February, 1975.

[10] S.P.C., Minutes, 23 April, 1954.

[11] J. A. Darling to H. S. Sears, 27 April, 1954, S.P.C., Saskatoon, Town No. 4. The Corporation's estimate of municipal revenue resulting from its proposal indicates that such revenue would exceed that available to cities it already served retail. The proposals were designed to assure Saskatoon of at least $800,000 the first year and possibly over $1,000,000 in the fifth. Compare figures with those in footnote No. 5. Proposed rate reductions were designed to save consumers amounts rising from $386,000 to $884,000 during the same period. S.P.C., Minutes, 5 February, 1954 suggest that the proposal was also designed to net the Corporation more profit if the City chose bulk purchase over sale of its system.

[12] J. W. Tomlinson to J. A. Darling, 15 April, 1954, Brown Papers, PC 16-3, City of Saskatoon, Power Agreement.

[13] T. K. Shoyama to J. W. Tomlinson, 9 April, 1954, *ibid.*, PC 22, S.P.C. Negotiations with Cities, General Policy, etc. As indicated the Corporation realized in submitting the proposal that it would be unable to purchase the Saskatoon distribution system. Nevertheless, it offered to do so as a tactical move. See J. W. Tomlinson to J. A. Darling, 15 April, 1954, *ibid.*, PC 16-3, City of Saskatoon, Power Agreement.

[14] Report to Council's Committee by W. A. Friebel, 19 May, 1954, Sears Papers. Friebel placed a value of $3,800,000 on the Saskatoon distribution system.

[15] Chairman to Mayor and Council, 5 July, 1954, W. A. Friebel to City Council, 16 August, 1954, *ibid.* Also see S.P.C., Minutes, 4 June, 1954.

[16] F. J. Ashford to H. W. Balfour, 1 June, 1954, Sears Papers; Interview with H. S. Sears, 31 May, 1967; *The Leader-Post* (Regina), 24, 26 June, 1954. According to the press, the Regina aldermen in attendance said they were not officially representing the City. The paper also stated that Regina was definitely opposed to entering an integrated scheme. However, the Weyburn Council Minutes, 24 June, 1954, refer to all in attendance as representatives.

[17] J. Anderson to J. A. Darling, 25 November, 1954, Brown Papers, PC 16-3, City of Saskatoon, Power Agreement.

[18] P. Woroby to W. B. Clipsham, 6 December, 1954, *ibid.*

[19] W. B. Clipsham to J. A. Darling, 16 December, 1954, *ibid.*; Meeting with S.P.C., 14 December, 1954, Report to Electrical Committee, 21 December, 1954, Comments on Power Costs by W. A. Friebel, 21 December, 1954, Sears Papers; S.P.C., Minutes, 20 December, 1954.

[20] J. Anderson to J. A. Darling, 23 December, 1954, Brown Papers, PC 16-3, City of Saskatoon, Power Agreement.

[21] Clipsham's letter of 16 December to Darling, see footnote No. 19, also appears in the Sears Papers. In this instance, however, it is dated 20 December and does not include the last three paragraphs, one of which deals with rate reductions.

[22] W. B. Clipsham to J. A. Darling, 23 December, 1954, Brown Papers, PC 16-3, City of Saskatoon, Power Agreement. Conversations with Sears indicate that agreement was informally reached on December 22. Correspondence of December 23 thus would appear merely to formalize what had already been agreed upon. Sears emphasized the importance of the power conference chart in winning concessions for the City.

[23] *The Saskatoon Star Phoenix*, 4 January, 1955, in S.P.C., Saskatoon, Town No. 4. That the Corporation did not get everything it wanted is clear. It definitely wanted some controls placed on the level of retail rates, believed amortization should be over twenty years or less, and wished to charge a higher bulk rate than agreed upon. See S.P.C., Minutes, 1, 9, 20 December, 1954, 21 January, 1955.

[24] 2.5 cents per kilowatt-hour at a forty percent load factor.

[25] The Corporation predicted that annual municipal revenues would range from $142,000 to $164,000 during the five-year period if the City sold out. This would be $50,000 more annually than the City could earn for itself, rate control, of course, being taken into consideration. Without such control Swift Current had a surplus of $192,148 on its 1954 operations.

[26] O. W. Valeau to J. E. Friesen, 23 August, 1954, Sears Papers. Also see S.P.C., Minutes 6, 20 August, 1954.

[27] J. E. Friesen to J. A. Darling, 16 July, 1954, Brown Papers, PC 16-1, City of Swift Current.

[28] S.P.C., Minutes, 3 September, 1954, 6 January, 1955.

[29] C. E. Smith to J. McIntosh, 20 November, 1956, S.P.C., Swift Current, Town No. 4. Agreement along the lines set out in this letter was completed on 17 December, 1956. The bulk rate was designed to return the Corporation 1.73 cents per kilowatt-hour at a forty percent load factor and less if the load factor was higher. The construction of the new natural gas-fueled power plant there was an important factor in enabling the Corporation to reduce its originally proposed rate as much as it did.

[30] B. Montbriand to W. B. Clipsham and A. Hayworth, 24 March, 1953, S.P.C., Weyburn, Town No. 2. Plant capacity was 2,750 kilowatts made up of three units of 1,500, 750 and 500 kilowatts. Anticipated peak load was 1,875 kilowatts. To handle the peak the two largest units would be operated, leaving the smallest in reserve. The latter was obsolete, being over forty years old. The plant also contained three boilers, the largest of which could handle peak load. Of the others, one had already been condemned and the other was about to be.

[31] *Ibid.* Too many customers were connected to transformers, and the wires used as conductors were too small in size and of excessive length, resulting in low voltage. B. Montbriand, Corporation distribution engineer, who examined the system stated that immediate steps should be taken to correct the situation. But, he added, a survey would have to be made first as the City did not have adequate plans or records covering its system and a copy of legislation governing voltage regulation would have to be sent to the engineer in charge since he did not possess one.

[32] *Ibid.* The City had violated safety regulations by not providing for sufficient climbing space

on poles. In addition, some transformer cases were not grounded. In such instances, if a transformer became defective it could be energized to a point where "the lineman could be electrocuted." At the city pumping station the 2,300 volt line was uninsulated and "a ladder against the pole so children could climb up and reach these wires." At city hall wires leading to the R.C.M.P. heater plug were bared and "accessible to the public." That the City consistently violated safety regulations is indicated by a report made over six years later. The distribution system was still in very poor condition. Quite a number of transformers were still not grounded and on others the grounds were broken. Power lines passed over, under and were split to go around telephone wires, leaving as little as two inches of clearance. Indeed, in several cases power lines were rubbing on telephone lines. See G. F. Argue to M. Barabas, 3 September, 1959, *ibid.*

[33] J. W. Tomlinson to K. Blow, 11 September, 1953, *ibid.;* S.P.C., Minutes, 18 September, 1953.

[34] J. W. Tomlinson to J. A. Darling, 24 December, 1953, Brown Papers, PC 14, W. Power Plants. The value to the City, $52,115, was calculated by adding gross revenue and surcharge income to the investment value of $444,000. On the basis of the rate at which consumption was rising the Corporation placed 1954 values of $67,000 to the City and $37,000 to consumers on its proposal. The net rate reduction to consumers would have been about fifteen percent after the surcharge was added by the City. Also see S.P.C., Minutes, 4 December, 1953.

[35] J. W. Tomlinson to J. A. Darling, 24 December, 1953, Brown Papers, PC 14, W. Power Plants. The meeting is also dealt with, though in less detail, in Weyburn Council Minutes, 16 December, 1953. The minutes indicate that the City was considering installing a 2,500 or 4,000 kilowatt unit in its plant. Tomlinson claimed that in ten years such a machine would be worthless and stated that his organization would inevitably be operating the local plant in five to seven years.

[36] J. W. Tomlinson to J. A. Darling, 24 December, 1953, Brown Papers, PC 14. W. Power Plants. Tomlinson claimed that the City should be providing roughly $10,000 more annually in depreciation, that about $15,000 more should be charged against the plant as interest, that $2,500 chargeable to the utility had been assessed against other accounts and that it would be losing a further $2,500 in profits since the Corporation would be serving the Mental Hospital in the future.

[37] Haddin, Davis and Brown Limited, "City of Weyburn: Report on Electrical System Evaluation and Future Development of System," March 1954, p.3. The report covered the power problem only as it would affect cash available to the City, rate reductions being considered as of no value to the City as a corporation. See p. 7.

[38] Report on City of Weyburn Power Negotiations by J. R. Sarsfield, 26 March, 1954, Brown Papers, PC 14, W. Power Plants.

[39] J. W. Tomlinson to J. A. Darling, 2 April, 1954, *ibid.*

[40] Chairman, Board of Directors, to J. H. Stavely, 19 April, 1954, *ibid.* Also see S.P.C., Minutes, 12, 23 April, 4 June, 1954.

[41] Of the meeting the Weyburn Council Minutes, 13 May, 1954 read in part: "Many different sets of figures were produced by those present and the feeling was that rather than clarifying the situation, too many quoted figures were proving to be confusing." Discussed at the meeting were such items as purchase of stand-by power from the Corporation, the need to modernize Weyburn, the City's borrowing power with or without the power plant, what spending $350,000 on the plant would leave for other things, natural gas, the reactions of citizens if cheaper power was transmitted by the community by the Corporation and the Corporation's offer itself.

[42] J. A. Darling to T. C. Douglas, 1 June, 1954, Brown Papers, PC 14, W. Power Plants.

[43] For final offer submitted to the City in July see S.P.C. News Release, 8 September, 1954, in *ibid.* Estimated savings to consumers during 1955 amounted to $17,700. For action by Douglas see S.P.C., Minutes, 20 August, 3, 17 September, 1954.

[44] J. H. Staveley to J. A. Darling, 6 August, 1954, Brown Papers, PC 14, W. Power Plants.

[45] *The Leader-Post* (Regina), 22 September, 1954. The City planned to install a used boiler and second-hand turbine. Capital costs would thus have been kept down but operating costs might well have been high.

[46] *Ibid.*, 29 September, 1954.

[47] The City agreed to purchase 1,500 kilowatts of stand-by capacity, an amount equal to its largest generator. The Corporation thus began to be paid for the service it provided free of charge during negotiations. The City also agreed not to expand its plant for three years, when it might do so only after giving the Corporation two years' notice.

[48] Weyburn Council Minutes, 20 August, 9 September, 1954.

[49] The Corporation had stated that if its offer was accepted the City could expect an income of $84,100 in 1955, $105,000 in 1960 and $130,500 in 1964. Total City revenue during the next ten years was estimated at $1,044,100 provided the annual increase in consumption was ten percent. During the same period consumers would save an estimated $281,400 through rate reductions. See S.P.C. News Release, 8 September, 1954.

To evaluate the offer the City reduced the Corporation's estimates of municipal revenue to $54,100 for 1955, $75,000 for 1960, $100,500 for 1964 and $744,100 for the ten-year period. Weyburn officials placed no value on the ten annual payments of $25,000 each and they reduced Corporation estimates of the investment value of $500,000 by $5,000 per year. Furthermore, they did not include the rate reduction in their calculations. On the other hand, when placing a value on continued municipal operation, they took the surplus they were obtaining from the utility and increased it by ten percent per year. This indicated that retention and expansion of the plant would give the City an income of $80,118 in 1955, $135,225 in 1960, $231,807 in 1964 and $1,444,546 during the next ten years.

Council knew its figures were not really adequate. Of a meeting a few hours prior to that with businessmen the minutes read with respect to the figures for continued City operation: "It was agreed that no one on the Council really expects such an annual increase but the basis was used in order to compare figures with those of the S.P.C. . . . which were projected on a 10% annual increase." The ten percent increase in Corporation estimates had applied to consumption not profits. Moreover, when meeting the businessmen City officials pointed out weaknesses in their own figures. See Weyburn Council Minutes, 21 September, 1954.

[50] During 1955 through 1959 Weyburn reported surpluses of $54,503, $73,170, $87,411, $86,675 and $81,003 in its financial statements. The total for the five years was only $382,752. Clearly, the City would never take in anywhere near $1,444,000 in ten years at that rate. Indeed, the 1955 and 1956 surpluses attest to the accuracy of Tomlinson's prediction that high profits could not be maintained if heavy capital expenditures had to be made. As well, the 1955 surplus nullifies one of its reasons for not accepting the Corporation's offer, namely, that to do so would result in an increase in taxes. The surplus they had relied on to keep down taxation declined sharply that year.

[51] S.P.C., Minutes, 4 December, 1953, 5 February, 1954; O. W. Valeau to J. E. Friesen, 23 August, 1954, Sears Papers.

[52] J. R. Sarsfield to J. H. Staveley, 13 December, 1954, Brown Papers, PC 14, W. Power Plants; Memo by H. P. Gatin, 4 November, 1954, S.P.C., Weyburn, Town No. 3; R. R. Keith to L. G. Ganne, 14 March, 1957, S.P.C., Legislature, Votes and Proceedings No. 10.

[53] In 1954 the Corporation arranged to provide Prince Albert, Yorkton and North Battleford with somewhat more revenue than they had been receiving. Until then gross revenue payments were based on the Corporation's 1951 revenue, that year they began to be calculated on the revenues of the current year. See J. R. Sarsfield to H. M. Jackson, 30 March, 1954, S.P.C., Yorkton, Town No. 4.

[54] J. W. Tomlinson to J. A. Darling, 13 March, 1953, Table V, Brown Papers, PC 14, S. Power Plants; R. R. Keith to L. G. Ganne, 14 March, 1957, S.P.C., Legislature, Votes and Proceedings No. 10. Selling prices obtained from S.P.C. statistical division.

[55] For average return see S.P.C. *Annual Report*, 1965, pp. 22-23.

[56] Saskatoon had agreed to pay $150,000 between 1951 and 1954 toward integrating Saskatoon and Prince Albert plants. See S.P.C., Minutes, 9 April, 1951.

[57] Bulk Sale of Power, S.P.C. Conference on Power Policies, 1-2 November, 1957, Brown Papers. It was also stated that attempts to obtain the one mill assessment over and above estimated generating costs in a plant suited to a city's needs were never successful.

[58] For a discussion of the election plank concerning the electrification of 40,000 farms and all towns see Memorandum on Farm Electrification policies by C. E. Smith, 16 July, 1952, S.P.C., Rural Electrification, General No. 2.

[59] T. K. Shoyama to J. W. Tomlinson, 9 April, 1954, Brown Papers, PC-22, S.P.C., Negotiations with Cities, General Policy, etc. Emphasis in original.

[60] J. A. Darling to T. C. Douglas, 28 February, 1954, *ibid.*, PC 14, W. Power Plants.

[61] T. C. Douglas to J. A. Darling, 29 March, 1954, *ibid.*

[62] Saskatoon evidently took the question quite seriously. Mayor H. S. Sears to author, 26 February, 1975.

[63] T. C. Douglas to author, 13 March, 1975.

[64] See Saskatoon Council Minutes, 14 February, 1955, 3 December, 1956.

[65] The Saskatoon agreement remained unchanged until 1964. At that time, it would seem, the Corporation was satisfied with the return it was obtaining on sales to the City as a reduction in the wholesale rate was offered. See D. Cass-Beggs to P. C. Klaehn, 7 July, 1964, S.P.C., Saskatoon, Town No. 5. The reduction amounted to five percent. See L. G. Ganne to D. G. Steuart, 5 April, 1965, *ibid.*

A new agreement providing for a similar reduction was completed with Swift Current at about the same time. Negotiations leading to it are especially interesting as they illustrate how strongly some municipal officials felt about utility profits. Negotiations began with the City requesting a reduction of about twelve percent, claiming that the Corporation could grant this and stating that the savings would be passed on to consumers. The Corporation replied that no reduction was justified, but that since it favored low rates it would grant one of five percent provided the City would agree to limit its power surplus to $250,000 per year. If this were done, the Corporation added, it appeared that much greater reductions could be granted in the next few years.

The City refused to accept the condition. Rather than reduce its reliance on the utility for revenue and raise more funds by taxation, a procedure which the City alleged would be unfair to property holders, it chose to pay the Corporation a higher price than necessary for its power for roughly three years. The interests of the citizens of Swift Current thus suffered in order that the City's methods of obtaining revenue might remain unchanged. Furthermore, the financial statements of the cities indicate that at the time Swift Current was taking a higher percentage of the power dollar into municipal revenue than any other city. Only after the Corporation dropped its condition was agreement reached. See D. Cass-Beggs to G. F. McLeod, 13 June, 1962, Brown Papers, PC 16-1, City of Swift Current; Swift Current Brief to Cabinet, 8 October, 1963, R. Brown to W. G. Bolstad, 16 January, 1964, *ibid.*, PC 1, Minister.

CHAPTER TEN

INTEGRATION IV: ALTERNATIVES NO LONGER ATTRACTIVE

For some time following completion of the agreements discussed in the preceding chapter, Power Corporation officials made little progress toward integration insofar as relationships with the various independent utilities were concerned. Though they extensively studied and budgeted for acquisition of National Light and Power while negotiating with Saskatoon, Weyburn, and Swift Current, they decided against purchase. Meanwhile, Regina municipal authorities proved uncooperative. Perhaps fearful that municipal revenues would be adversely affected by pooling of facilities with the Corporation, Regina was determined to remain independent. Politics[1] and civic pride[2] in the local power plant also played a part in the decision. Then too, it is not inconceivable that H. I. Nicholl, the City's chief adviser in matters concerning the utility, took advantage of local feelings to maintain and enlarge an empire for himself on the banks of Wascana Creek. As a result, throughout the fifties and into the sixties economic waste continued. There was some duplication of machinery, equipment could have been installed at better locations, facilities could have been used more efficiently, fuel costs could have been reduced, and installation of larger, more economically operated generating units was perhaps delayed somewhat.

While it is impossible to go into all the details, this chapter will briefly sketch some of the history of the independent utilities for the period and describe how they were eventually purchased by the Province, thereby paving the way for virtually complete integration of Saskatchewan's electrical facilities. Expansion of the Regina plant will be dealt with at some length, and civic authorities of that city will appear to have acted quite imprudently and to have been responsible for considerable waste. However, it should be made clear at the outset that they are not to be held solely responsible. While it is true that they acted without examining carefully enough what they were doing, and that they may have acted partly on the basis of political beliefs, the Government could have prevented them from pursuing the course they did by insisting that all electrical facilities be pooled or fully integrated. The Government knew what was happening but for various reasons chose not to prevent it.

What specifically was the position taken by the Corporation with respect to the independent utilities in the years immediately following the power conference? From all indications, its attitude toward them varied. As has been shown, it wished to purchase the Weyburn system, believing that to be in the best interests of all concerned. It also wished to buy National Light and Power, regarding as undesirable a power pool containing privately owned as well as publicly and municipally owned components. At the same time, it was quite prepared to welcome Regina into a pool in which the City would retain considerable independence.

That the Corporation was willing to see Regina in a pool, but functioning much as it had in the past, and that it did not proceed at once to acquire National Light is largely explicable in terms of finance. At roughly the same time that it began making major outlays on a high-voltage grid and generating facilities, it commenced making power available to farms on a large scale and serving remaining urban areas. Soon thereafter it also undertook to build an extensive natural gas grid. The programs taxed the Province's ability to provide funds. In addition, during much of the 1950s the Corporation possessed little spare generating capacity. Under the circumstances the benefits which could be attributed to purchase of the two utilities were exceeded by the economic returns which could be expected from other investments.[3]

Regina's position and actions also affected the course followed by the Corporation in regard to Moose Jaw. To integrate the south it was desirable that Estevan, Regina and Moose Jaw be joined, the transmission line extending from Estevan to Regina and on to Moose Jaw. Between 1952 and 1954 the Corporation gave a good deal of thought to and obtained cabinet approval for such a line but eventually postponed its construction beyond Weyburn until 1956. When considering it in 1953 Corporation officials were depending on the cooperative refinery at Regina to make the line an economic proposition by providing a bulk load there. However, they lost the load when Regina annexed the refinery area.[4] The following spring the project again received attention. But no action was taken, mainly, it would seem, because of Regina's unwillingness to cooperate. With Regina wishing to remain outside the integrated system and being located on the route of the proposed line to Moose Jaw, acquisition of National Light and Power was less attractive.[5]

All things considered, the 1953 power conference and events immediately following it demonstrated that it would be very difficult and would take some time to bring Regina into an integrated system. Less than two weeks after the meeting, Regina officials indicated that they would proceed with installation of the 30,000 kilowatt unit previously mentioned. Corporation and Government spokesmen had opposed their doing so, W. B. Clipsham having warned Regina authorities about their water supply. Stating that precipitation had recently been above normal, he expressed the belief that a return to normal or subnormal conditions might require a reduction in plant output and urged that expansion not be undertaken without careful study. He also suggested that those responsible would be in a more secure position if they had a competent outside consultant agreeing with their conclusions.[6]

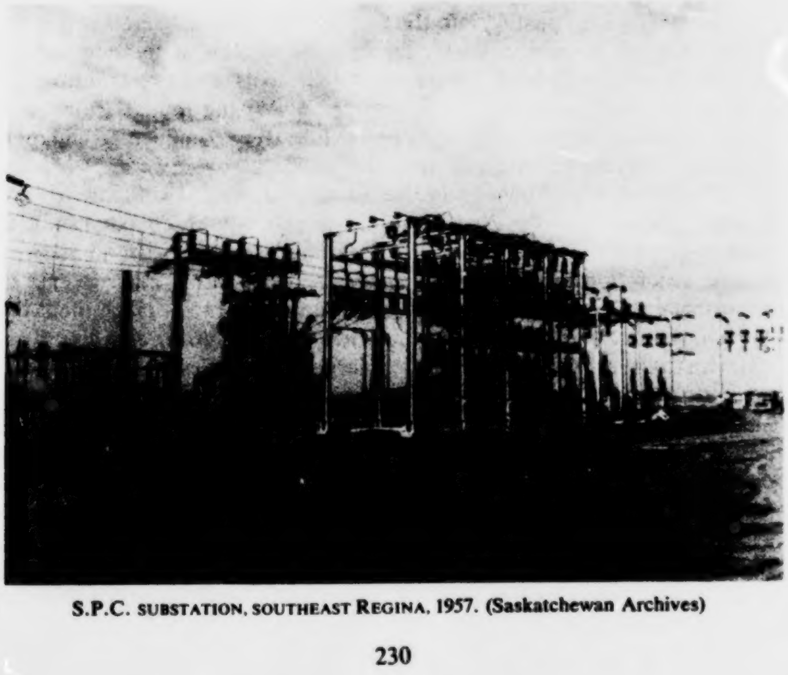
Regina, however, did not accept the advice. Rather, when discussing expansion shortly afterwards, Nicholl deprecated Clipsham's warning. The deepening and widening of Wascana Creek five years earlier, he stated, made expansion possible. Furthermore, the plant was dependent on spring runoff rather than summer rain and extra water could be diverted into the reservoir when the Buffalo Pound pipeline was completed.[7] In this fashion he sought to justify publicly Regina's isolationist policy.

Unfortunately, from both an economic and practical viewpoint Regina's decision was unwise. The conclusion reached by Corporation officials that power could be generated at Estevan and transmitted to the capital more cheaply than it could be produced locally was sound.[8] And nature itself decided the issue concerning the water supply. With the second half of the fifties came dry weather. The supply of cooling water shrank, reaching crisis proportions in the summer of 1959. Plant output had to be reduced by a reported fifty percent, peak load then being a mere 40,000 kilowatts.[9] Essentially only two things were accomplished by the municipality expanding its power plant: it was definitely assured of all power profits and the time when it might have to examine its methods of raising revenue was pushed into the future. But those achievements were gained through economic waste, the citizens of Regina shouldering the burden of needlessly high power plant fuel costs and expenditures on machinery which may have been unnecessary at the time.[10] Moreover, problems which the City eventually had to face were complicated and their solution, if anything, rendered more difficult.

If there was any change in the attitude of Regina officials toward remaining autonomous as the 1950s progressed, it would seem that some of them became more rather than less determined to do so. In addition to Regina's new turbine going into operation in 1956 two other events of importance to electrical utility operation in the area took place then: the Corporation finished constructing its first heavy transmission line from Estevan to the outskirts of the city and largely completed plans for supplying natural gas to the community in 1957. The one made integration immediately practical; the other made possible a moderate reduction in local power production costs. Early in the year, before the Estevan line was in operation, certain Regina aldermen expressed concern about their power supply. Following a shutdown at their plant they called upon Council to arrange for the Corporation to provide stand-by service in such instances. Nicholl, who was present, pointed out that the latter could supply only a small portion of local needs as it did not have a line into the city over which much power could be moved, which was true at that particular moment. Consequently, the motion was amended to have the question of stand-by referred to the Power and Transportation Committee for a full report.[11] Not long afterwards Regina arranged to purchase gas from the Corporation for use in its power plant on an "interruptible" basis during certain months for a five-year period.[12] However, any thought of dealing with the latter regarding stand-by or integration evidently died in committee.

Early in 1957 the Power and Transportation Committee decided that the local generating station should be further enlarged. Concluding that dry years were approaching during which there would be insufficient cooling water to operate existing equipment, the members determined to install a stand-by unit requiring much less water. The type of machine selected was a gas turbine fitted to operate with oil as well. Its estimated cost completely installed was $2,250,000. Council authorized Nicholl to apply to the Power Commission for permission to proceed.[13]

When the Power Corporation learned what was afoot, it set out to prevent further expansion at Regina. Its Boundary Dam and Queen Elizabeth stations were under construction and would be operating before Regina could have a new unit ready for service. By that time the integrated system would also be nearing completion and the stand-by capacity it would require would be sufficient not only for the Corporation but for the



S.P.C. SUBSTATION, SOUTHEAST REGINA, 1957. (Saskatchewan Archives)

The official commissioning of the Queen Elizabeth Power Station at Saskatoon, 22 July, 1959 by Her Majesty. On the right, assisting Her Majesty, are the Honorable Russ Brown and David Cass-Beggs. (S.P.C. Photo Collection)

City as well. Wishing to avoid needless duplication of costly equipment but believing that it would be difficult to obtain Regina's cooperation, the Corporation made the City a very generous proposal.

At a conference Regina officials were informed of Corporation plans for connecting their community with Estevan, Moose Jaw and Saskatoon. Shortly thereafter Cass-Beggs advised the City that from 1958 onward his organization would have considerable reserve capacity and enough spinning reserve—reserve ready for immediate use—for both itself and Regina. Stating that Corporation reserve plus Regina reserve should not be larger than for the provincial system alone, he proposed that a three-year agreement be concluded (to become effective May 1, 1959, about the time Regina's unit could be ready), by which the Corporation would make enough spinning reserve available to the City to assure it of 30,000 kilowatts at all times. The service itself would cost nothing. Regina was asked to pay only half the annual charges on the transformer station joining the two systems, a sum which he was prepared to guarantee would not exceed $10,000 per annum. If the City was agreeable, Cass-Beggs predicted, Regina might save $250,000 per year in capital costs. In addition, it could purchase energy under arrangements which would not increase its costs or which might reduce them or if it wished a power pool might be formed.[14]

According to the Corporation, Regina's choice was simple: independence at a cost of $2,250,000 or a step toward integration with savings of $750,000. Regina chose the former. Indeed, it indicated even before the offer was made that rejection of any Corporation proposal was almost certain. At the first mention of the Corporation providing the City with stand-by, Nicholl wrote: "I have discussed this matter with the Power and Transportation Committee . . . and with the City Commissioners, and . . . I can not see any reason why we should be interested at the present time in the future plans of the . . . Corporation. In fact the arguments raised . . . are an old story with us since much the same argument was used at the time we applied for and got permission to install our present 30,000 K.W. unit."[15]

If certain actions respecting Saskatchewan's electrical utility are open to question from the standpoint of their advisability or propriety, the rejection of the Corporation's offer and events which immediately followed must be included among them. In their report to Council the Power and Transportation Committee, Aldermen Donald McPherson, Henry Baker and Joseph Young, stated:

> Your . . . Committee and the City Commissioners have discussed this proposal and, while we agree that interconnection has advantages and the proposal as submitted has some merit, we are definitely of the opinion that it is in the interests of the City of Regina for it to maintain and operate its plant independently as has been the case for more than fifty years. We would also point out that we have analyzed the proposal from the standpoint of cost and cannot agree with the . . . Corporation

> that there is no advantage to the City financially as well as otherwise in not [*sic*] owning its own machine.

The aldermen recommended that they be authorized to continue to press for permission to expand their plant, and City Council gave its unanimous consent.[16]

How the committee on the basis of its report could arrive at such conclusions is impossible to say. It evidently presented Council with no supporting data. In any case, the committee simply could not demonstrate that the City would be better off financially paying the fixed charges on a $2,250,000 investment than spending a maximum of $10,000 annually for the same service. On the basis of cold, hard economics the committee's decision could not be supported.

Rejection by the City of the Corporation's offer is also subject to question on other grounds. In criticizing the offer one committee member was reported as stating: "The City would be able to buy the turbine and pay for it and produce power at the same cost at which it could purchase from the SPC." Not only was the statement misleading but on the basis of data in his possession it could not be supported. The Corporation's offer was essentially one of free stand-by, the City being required to purchase no power. Then too, since the City did not obtain rates from the Corporation for the various arrangements under which power might be purchased, the cost of purchased power could not be compared with Regina production costs. The same individual also reportedly said: "The Commission has advocated caution in overextending the plant, yet it should be noted that the SPC proposes to supply the City with power from its Estevan plant which means that the plant there is overextended beyond the requirements of provincial customers." Again the statement was not fully in accord with the facts in his possession. Cass-Beggs had indicated that not until 1958 would his organization have considerable reserve capacity and only in 1959 would it share that capacity with Regina, the same capacity serving both parties.

Nicholls' comments at the same Council meeting also left something to be desired. He stated that the Corporation could supply Regina with a maximum of only 15,000 kilowatts and only about 5,000 at peak load period. The statement simply showed what the Corporation could do at the moment, not what it had offered for 1959. He also claimed that the local power supply would have to be rationed if the largest unit in Regina's plant failed.[17]

A few weeks after rejection of the Corporation's offer, the Power Commission on instructions from the cabinet advised Regina that a public hearing would be held concerning its application to expand. A majority in Council, however, evidently wish to avoid this hearing and the public discussion it might arouse. Hence Council immediately instructed its solicitor to check on the authority given the Commission by the legislature. Soon thereafter it also authorized the calling of tenders for the turbine.[18]

With the actions of the advocates of an independent power system becoming more and more open to question, a minority of council members grew concerned. Aldermen John W. Peart and Fred Mullin unexpectedly introduced a motion to empower the mayor to set up a committee to study the feasibility of offering to sell the utility to the Corporation.[19] Had a viper been dropped on the council room table the reactions could scarcely have been more spontaneous. Nothing concrete resulted, but one reason for rejecting the Corporation's offer was evident. For some aldermen anything which might affect their electrical utility was apparently taboo. Attempts to discuss the motion were quickly quashed on a technicality.

In council two nights later discussion could not be avoided. Mullin and Peart, supported by Mayor T. H. Cowburn and Alderman Gordon Armstrong, urged passage of the motion. To illustrate its importance Peart stated: "I frankly don't know enough about it [the utility], but I want to find out." Armstrong declared: " . . . I can't see why we should get the jitters because of a proposal that an educational committee be set up. I'm all for this committee." Their opponents, however, being seven in number, easily carried the day. Young was said to have declared that the City could not afford to lose the plant and that, because of integration proposals, a committee had been working for four years to prevent it. Baker was quoted: "Even if we had a good offer I would not vote to sell." "Such a sale must be decided by the people when all the facts and figures are given." But without study how were the people to be given such information? Among others to comment were A. E. Wilson and L. McKay Robinson. Wilson described himself as not yet over the shock caused by introduction of the motion. And Robinson asked: "Why study selling something that has enabled us to keep down the mill rate?"[20] Though investigation was definitely overdue, the press supported the majority, designating the motion "A Ridiculous Proposal."[21]

With the Corporation's offer behind them and having overwhelmed those of their number who advocated procedures which might bring into question the advisability of expanding their power plant, Regina authorities faced one last obstacle: the public inquiry of the Power Commission. Their solicitor, it seems, was unable to find any loophole in the Power Commission Act but that was to cause them very little inconvenience. They simply decided to ignore the Commission. Approving a tender for the gas turbine itself, they obtained Local Government Board approval for the expenditure.[22] Then, on the basis of an interpretation of Power Commission regulations worked out by Nicholl, they contended that what they had done was in accord with legal requirements. Such a claim, however, was questioned by the Attorney General's Department and the facts do not even appear to agree with Nicholl's interpretation.[23]

How does one account for the actions of the majority of aldermen in the foregoing episode? Discussions with surviving members indicate that some found dealing with Cass-Beggs difficult and were not convinced that they could reach a satisfactory agreement with him. Some also viewed the Corporation's offer as a trap of a sort—a device to gain for the Corporation a foothold in the city and to convert the Regina utility into somewhat of a dependent. Apprehension apparently also existed about the City's position upon expiry of the proposed three-year agreement. Would Regina be in a weakened bargaining position vis-à-vis the Corporation? Might such a development adversely affect future municipal revenue from power?[24]

And what did Premier Douglas and his associates do when confronted with the above happenings in the capital city? Very little. The cabinet instructed the Power Commission to threaten Regina with a public hearing if it insisted on expanding, but the threat was hollow. As soon as it appeared that the City would not cooperate with the Corporation, Brown wrote: "I'm sure the Government does not consider this an appropriate time to force a showdown."[25] Some legislation was passed to strengthen the Power Commission, but it did not prevent Regina from going its own way. Perhaps for that reason the Commission was soon abolished and its duties given to the Local Government Board.[26] On the basis of the results, it is clear that the Government adopted the position that it would not itself do battle with Regina authorities even if the alternative was utilization of the Power Corporation facilities less efficiently than possible and ill-advised expenditures by the municipality.[27]

Though all of these occurrences had not taken place by 1955 when David Cass-Beggs became general manager of the Power Corporation, he was no doubt aware of what was happening. During his annual trips to Saskatchewan he was likely informed of such things as the circumstances surrounding the installation of Regina's steam turbine, the abortive attempt to integrate and the expansion of boiler capacity at Weyburn, and the installation by National Light and Power of small, second-hand generating equipment. Recognizing such occurrences as being in the long-term interests of practically no one, he soon took up the question of integration, proposing to accomplish it largely by legislation.

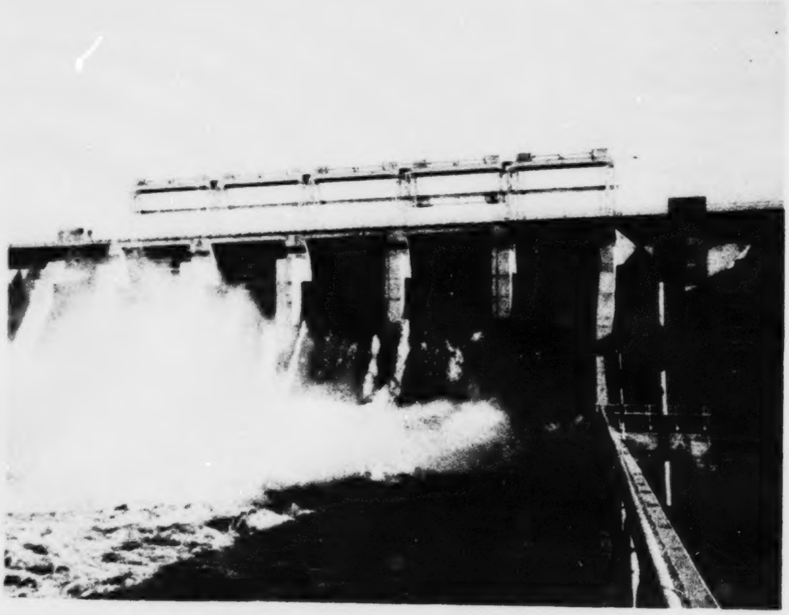
In a letter to Brown, Cass-Beggs, like his predecessor, called for the enactment of laws which would bring about the reorganization of Saskatchewan utilities essentially along the lines of Ontario Hydro, and pave the way for their full and rapid integration by the Corporation. In short, he urged passage of acts (a) requiring all operators to employ the financing and accounting methods of the Power Commission of the United States as the Corporation did, (b) establishing a basis on which the Corporation would sell power in bulk to remove it from the field of negotiations and political pressure, (c) establishing the Corporation's existing policy of equalized rates to communities corresponding in size to end appeals for special rates because of proximity to energy sources, (d) controlling rates, (e) establishing and limiting the size of grants in lieu of taxes, (f) limiting the size of surpluses and restricting their use to expansion of power facilities, (g) providing that surpluses in excess of those permitted under (e) and (f) be applied to rate reductions, and (h) providing for surcharges of five to twelve percent and their elimination in ten years. Pointing out that only forty-two percent of the electricity sold in the province was under direct provincial control and describing municipal operation as "complete confusion," Cass-Beggs warned that no significant progress could be made toward generally cheaper power or equalized rates until either the Corporation owned and operated the major utilities or they were required to conform to common standards and policies.[28]

Brown took up the subject with his colleagues. In a letter to all ministers he stated: "Government policy regarding electric power utilities generally, and the . . . Power Corporation in particular, is to say the least rather nebulous at the present time. In fact many aspects of . . . Corporation policy cannot be supported either by legislation, approved regulations or decisions of the Lieutenant Governor in Council. Somewhere along the road certain things were decided and since then we have been saying, 'That is Government Policy.' Evidence in support of such assertions in many cases is non-existent."[29] Nevertheless, the Government did not pass any of the requested legislation. Only a single act was forthcoming and it had not been covered by the letter. The Corporation was given exclusive rights in all areas not yet served by a utility. The act provided that, though a municipality might annex territory in the future, its utility would be confined to municipal boundaries as they existed on January 1, 1958. Though this was done to safeguard the future financial position of the provincial system and to protect it in the markets it was developing,[30] it proved to be important in other respects as well.

Perhaps because the legislation suggested would not be enacted and because of Regina's continuing "go-it-alone" attitude, the Corporation and members of the cabinet re-examined power policies late in 1957. Here certain general principles and alternative courses which the Corporation might pursue with respect to the independent utilities were discussed, integration being seen as possible of achievement in three ways. First, all generating facilities might be purchased and used to best advantage. This would reduce costs most but would be difficult to arrange because of the amount of money involved.[31] Secondly, ownership and control of utilities might remain unchanged insofar as existing generating capacity was concerned, the Corporation supplying the additional power the independents would require in the future. Under such circumstances less economic use would be made of generating facilities and all plants might continue to operate. Thirdly, and most applicable at the time, all generating facilities might be pooled and carry loads according to instructions from the Corporation. Each utility would draw energy from the system at the cost of generation in its own plant up to the amount its plant could produce, excess requirements being provided at system costs, a price expected to be substantially below generating costs in the plants of the various independent systems.[32]

Among other things, expansion to meet load growth during the next decade or so was considered, as well as the position of the Corporation relative to the future electrical requirements of the entire province. The Power Corporation, a paper emanating from the meeting declared, "is morally responsible for optimal utilization of the available energy resources of the province. These responsibilities involve both the development of efficient generation stations and the design of an adequate transmission network. It is inevitable that the S.P.C. will increasingly be called upon to provide energy for the independent systems and consequently realistic planning for the system for ten or more years must take these loads into account."[33]

Charged by the Government with the responsibility of seeing that the entire province had adequate electricity, Corporation officials were about to plunge into the last phase of negotiations leading to the establishment of a truly province-wide power system. Though more than one road to integration stretched out before them and none of the routes were too well illuminated because the Douglas administration had not opted for a particular course of action, the result of years of planning were now about to bear fruit. The rather weak Corporation of the early fifties was being rapidly transformed into a powerful organization. During 1958 or 1959 rural elec-



SQUAW RAPIDS SPILLWAY, 1964. (S.P.C. Photo Collection) trification on a mammoth scale ended; most remaining small communities were served; natural gas was provided to the last Saskatchewan city still to be served; the Queen Elizabeth and Boundary Dam generating stations came into operation; construction of the transmission facilities necessary to integrate the entire province was virtually completed; and a start was made on the Squaw Rapids hydroelectric project. With a number of its most costly programs nearly completed and its power production costs still declining, the means whereby the Corporation could achieve most of its objectives largely unaided were finally coming within its grasp. The day was at hand when the economies of partial integration and large scale production would clear the way for virtually complete integration throughout the province.

The first of the remaining independent utilities to be consolidated with the Corporation was that of Weyburn. Under its 1954 agreement the City had three years in which to compare the benefits of purchasing stand-by and energy with the full use of its own system. Municipal authorities indubitably found the new arrangement satisfactory for, before it was due to expire, they arranged for its extension on a year to year basis.

Not long afterwards the Corporation offered the City about $1,000,000 for its system. No decision regarding the proposal was made immediately. However, early in 1959, having decided to put the future operation of their utility on a more permanent basis, municipal authorities obtained the services of F. J. Bartholomew, a consulting engineer. After a brief study of the Weyburn situation and with the approval of the City, he opened negotiations with the Corporation aimed at purchasing power in bulk at a very low price.[34] The Corporation promptly refused to sell at the requested rate, advising Weyburn that a bulk price would have to be in accord with its formula for such sales. Cass-Beggs also informed the City that if it decided to expand its plant and generate its own requirements, as it suggested might be done, it would have to provide for all its needs with Corporation facilities being removed. Further, municipal officials were warned, the trend of costs in isolated plants might well be upward and that if the capacity of their plant was increased, the Corporation might be unwilling to buy it.[35]

Negotiations continued for some time, the City eventually rejecting the Corporation's purchase proposal and laying down conditions it would accept. Though indicating that the question of Weyburn's power supply could be viewed in broader terms, its brief centered squarely on the interests of the municipality as a corporation. It was all too evident that the electrical utility had become so much a part of municipal financing that Council could scarcely view it in any other way. Nowhere did Weyburn power consumers or their total power costs receive consideration. In essence municipal authorities declared, we "cannot and will not sacrifice the revenue" from our utility. If we cannot purchase power at approximately our price or are not paid an amount for our system which will compensate us for its present and prospective revenues, we will assure ourselves of those revenues by expanding our plant even though we know expansion cannot be economically justified. They implied that they were prepared to keep municipal power revenues at existing levels even if the community had to bear the burden of enlarging and maintaining an uneconomic power plant.[36]

Because the Government would not act firmly on integration, Weyburn could negotiate on the basis that it would do the economically unjustifiable if it did not obtain what it wanted. For the same reason the Corporation had to accept such terms as a basis for discussions. Sale of power in bulk on the City's terms was out of the question. Because of Weyburn's proximity to Estevan, the Corporation would have had no difficulty meeting the suggested price. To have done so, however, would have placed it in an untenable position in respect to Saskatoon and Swift Current, communities situated in higher power cost areas. The Corporation, therefore, elected to purchase, offering $1,500,000 and finally agreeing to pay $2,000,000 in annual installments over a twenty-year period for the system. The price was the minimum acceptable to the municipality as set by its consultant and, according to Cass-Beggs, was based on the level of earnings and profits which could be maintained on power sales in the community.[37] More revenue was made available to the City than would have been the case had it continued to operate its own system. And Weyburn citizens received a rate reduction, being placed on standard Corporation rates.[38]

In view of the lower prices offered for the Weyburn utility earlier, how was the Corporation able to grant such terms? In the words of Cass-Beggs, the whole deal hinged "on the availability of cheap Estevan power."[39] In short, it was made possible largely by the construction of the Boundary Dam plant and the integrated system. The method of payment was also a factor. Annual payments from revenue rather than lump sum purchase meant that the Corporation would actually pay the City with funds obtained from Weyburn citizens.

Within a few months of acquisition of the Weyburn system a series of events culminated in purchase by the Corporation of National Light and Power. Early in 1957 the Corporation appraised the company's holdings. At about the same time the Moose Jaw City Council indicated that it intended to serve notice on the company that it would take over distribution upon expiry of the electrical franchise in 1961. The City also sought to ascertain if the Government would place any obstacles in its way and expressed the hope that the Province would take over generation.[40]

From all indications, relations between the Corporation and Moose Jaw authorities were cordial, with both parties determined to keep them so. Thus in commenting on Moose Jaw's proposal the Corporation stated that it had not opened negotiations with the power company and would not force its way into the community. However, while acknowledging that the

City could resume distribution or both generation and distribution, it suggested that if the municipality took over one it should acquire both. The Corporation stated that except in the case of long-standing agreements it would not sell power wholesale and that National Light might not wish to do so either. And attempting to appear as cooperative as possible, it continued:

> The Corporation's interest in the National Light and Power Company's plant and distribution system is dictated solely by the long-term interest of the citizens of Moose Jaw. While they are enjoying relatively cheap power at the present time (and the . . . Corporation will undertake not to increase the existing city rates) the longer-term prospect is one of rising costs of power from any localized self-contained plant extended and designed to give satisfactory service to a city the size of Moose Jaw. On the other hand the prospects with service from the Corporation are of participating in the cheaper power that an integrated provincial system makes possible, utilizing fuel at Estevan and Saskatoon and later hydro developments, to the fullest possible advantage. While the City . . . may for an immediate short-term advantage in terms of increased revenue for its municipal finances, contract out of the province-wide power system, in the long-run this would react very unfavorably to the City and the Corporation's system would be of necessity developed to by-pass . . . Moose Jaw resulting in considerable difficulty in achieving an integration at a later date and cost to the citizens.[41]

It would seem that the Corporation was attempting to appear more benevolent than it actually was and perhaps to frighten Moose Jaw officials somewhat. The addition of the community to its system was highly desirable for the effect it would have on overall operations. Furthermore, it was already rapidly building its high-tension lines from Estevan to Saskatoon. Integration with Moose Jaw would be achieved through its Pasqua substation where lines from Saskatoon and Regina would meet.[42] However, making its position fairly clear did no harm and may have had good results in the end. Soon thereafter the City took preliminary steps to repossess the utility and eventually began collaborating closely with the Corporation.

Early in 1958 the Corporation opened negotiations with the company, seeking to acquire its property either by purchasing its assets or the shares of National Light and Power.[43] But the latter rejected both methods, probably for income tax reasons. In view of such results the Corporation turned to the idea of expropriation. Permission for a district judge to act as chairman of an arbitration panel was obtained from federal authorities and H. F. Berry, the company's president, was notified of the Corporation's intent to purchase in that manner.[44]

Aware of its statements to Moose Jaw officials and knowing that they had advised the company of intent to purchase, the Corporation moved quickly to neutralize any fears that might arise concerning expropriation. Cass-Beggs reassured the City that his organization would acquire the firm only if the aldermen were agreeable. According to the press, he made no concrete proposals. However, the Corporation made it quite clear that if it took over it would offer such attractive terms that the municipality would probably consider it advisable to waive any rights of repossession enjoyed under the original contract with National Light.[45]

Moose Jaw officials thus raised no objections to the Corporation's actions. However, plans to expropriate were soon dropped. J. W. Corman, Attorney General until 1956, had not believed a firm possessing a dominion charter could be acquired in that manner. The procedure might also have proved embarrassing to the department.[46] The Corporation's solicitor was more optimistic but believed that expropriation would take two or more years and place Moose Jaw in a difficult position if it definitely decided to repurchase.[47] There was also the danger that a board of arbitration would set a high price on the company's assets. And lastly, Berry and his associates would not like the procedure. According to Cass-Beggs, it would cost them over $1,000,000 in income tax and recapture depreciation payable to the federal treasury.[48]

With the Corporation considering expropriation National Light, it would seem, sought to resist as best it could. Perhaps in an effort to strengthen its position locally and reduce the benefits the Corporation could offer the community, it announced that as of January 1, 1959 rates would be reduced and $2.50 per month deducted from farm accounts as a means of refunding to farmers capital contributions they had made toward provision of service.[49] Berry may also have looked to the Liberal party for support.[50] Nevertheless, no doubt realizing that he could fight only a delaying action, he indicated how he would be willing to sell out. In short, he proposed that the Corporation acquire his firm by purchasing the shares of Sterling Gas and Electric, the holding company of National Light and Power. But the procedure was deemed impractical since the Corporation lacked statutory authority to do so. All negotiations were therefore suspended.[51]

It was not long, however, until Berry reopened discussions. The legislation confining utilities to 1958 municipal boundaries left his company little room in which to expand. Then too, his organization was coming under pressure from two levels of government. He had been planning to install a 10,000 kilowatt natural gas-fueled turbine. City Council indicated that it would withhold permission unless it received more money for its franchise. As well, the Power Commission, on orders from the cabinet, refused to sanction the installation on the ground that power to meet load growth at Moose Jaw would be available at Estevan.[52] Believing that purchase might now be accomplished, the cabinet authorized resumption of negotiations and empowered the Corporation to offer $7,250,000 with the understanding that it might be necessary to meet Berry's request for $8,000,000. In May 1960 a price of $7,562,000 was finally agreed upon, the deal being worked out somewhat along the lines suggested by Berry.[53]

It seems that both Moose Jaw and the Corporation had reasons to be pleased with the results obtained. Municipal authorities were chiefly interested in augmenting their revenues. With this objective in view, they obtained the advice of consultants. Then, having decided that it was best to cast their lot with the Corporation, they declared themselves ready to relinquish the City's rights to the utility and invited the latter to provide service.[54] The Corporation agreed to reduce rates sufficiently to permit the City to impose a seven and one-half percent surcharge without raising costs to consumers. It estimated that such a levy, plus gross revenue payments, would yield the municipality an income of $250,000 or more annually, about three times the amount it had been receiving in taxes. As a result, the municipality was placed on a more equitable basis with other cities insofar as power revenue was concerned. Although the Corporation achieved nothing directly toward its objective of consumer rate reductions, Moose Jaw rates compared favorably with those in other communities. The Corporation was also placed in a position where it could integrate the city with ease. Added to that, thanks to Estevan power, the transaction was quite worthwhile financially.[55]

As the fifties gave way to the sixties, the time when Regina could maintain an independent electrical utility could be seen drawing to a close. Reasons of a financial nature which the City might put forward for preserving this independence had been seriously undermined by the Corporation's new agreements with Saskatoon and Swift Current, and were virtually destroyed by the sale of the Weyburn system. Such events demonstrated that a municipality had nothing to fear (as indeed there never had been) in dealing with the Corporation. Any other arguments in favor of autonomy which might be advanced were also rapidly evaporating. The hazards of operating an isolated plant and the physical shortcomings of its existing site were becoming more and more evident. When the Regina plant suffered a complete shutdown in 1958, it was the Corporation which provided energy for such institutions as hospitals. When the water crisis arose the following year, the Corporation again had to be called upon for aid.

The relative importance of Regina's electrical utility was also declining. Completion of the Boundary Dam and Queen Elizabeth stations gave the local plant a second class status. Though Corporation officials might remain very anxious to acquire the Regina electrical load, even here the City's position was deteriorating. The boundary legislation had hemmed in the municipal system and placed the Corporation, through its lower generating costs, in a position to undercut Regina rates right within the community if it chose to do so.

Moreover, Regina's chances of remaining independent were being reduced by its own actions. While one might hesitate to agree with Cass-Beggs and term municipal operation "complete confusion," one could not deny that it was something less than it should have been. The circumstances surrounding the installation of its last two turbines have been mentioned. It is also worth noting that while the last one was being erected, rather than strongly pressing the Corporation to guarantee a gas supply for the unit or negotiating a long-term oil contract, Regina was attacking the Corporation and challenging its gas rates before the Local Government Board in a vain attempt to win a slight reduction.[56] Certain of their other activities are even more difficult to characterize as sound management. No sooner had the crisis of 1959 been washed away in a cloud burst than City officials launched an attack on the boundary legislation. Having been shown that their plant could not be relied upon as a secure source of supply for their citizens, they shelved plans to increase security and sought to add to the load on their system.[57]

Though the City, within months of an event which could have partly paralyzed the community, chose to take no action, certain citizens were becoming concerned about the utility. Some members of the Chamber of Commerce in all likelihood had observed that expansion of the local power plant had not been backed by careful planning. They could likewise scarcely have failed to note that Regina's commercial power rates, set in the 1920s, had only recently been reduced and only after it had been discovered that Corporation commercial rates at Yorkton and Estevan, among other places, were lower. They knew, as well, that at times the plant spewed soot over adjacent residential areas.[58] With such considerations in mind they passed a resolution and forwarded it to the City in January 1960 urging that a detailed study of the electrical utility be undertaken by qualified consultants.[59]

City Council, however, was not to be quickly or easily diverted from the course it had followed for so long. Before anything which might drastically affect the future of their utility could be done, a majority in council had to overcome distrust of the Corporation, political bias, or civic pride in the local system, as well as dread of changes which might be precipitated. As a consequence, the resolution simply vanished into city hall without raising so much as a ripple. Four months later the Chamber requested a progress report.[60] Still no results. Seven more weeks and the municipal utility came within inches of a calamity of the first order. Fire put one turbine out of action. To meet demands a thirty-five year old unit was pressed into service. Its release valve stuck. And moments after men left the vicinity of the machine, high pressure steam caused the condenser to explode, sending shrapnel flying about the plant. Again the Corporation moved into the breach, even ordering its largest customer, the steel mill, off the line in order that the citizens of Regina might have power.[61]

The explosion rocked a few seats in the council chamber, but one would hesitate to say that the immediate effects were nearly as dramatic as those resulting from the Corporation's offer of free stand-by three years earlier. Leslie Hibbs, chairman of the Power and Transportation Committee, was catapulted into activity. "It is a miracle no one was killed," he exclaimed and announced his intention to move that consultants be obtained to make "an economic survey of the future potential of our power plant and to provide us with such information as to the return on our investment and all other information pertinent to the operation of a power plant by the city."[62] At the next council meeting he did so but got nowhere. James Stinson, city clerk, pointed out that a motion required thirty-two hours notice unless there was unanimous agreement to discuss it. Alderman A. E. Wilson reportedly did not want to rush, and another alderman suggested that all members should be present to discuss a matter of such importance. Thus it was decided to reintroduce the motion later. When the appointed day came it was deleted from the agenda on the ground that the Power and Transportation Committee would be reporting.[63]

By this time the Chamber of Commerce was becoming impatient. Upon withdrawal of the motion its manager, Alex Aitken, fired off a dispatch to the Power and Transportation Committee: "The Chamber . . . feels that a recommendation to council on its resolution is long overdue and that the importance of it is becoming more and more apparent day by day."[64] But again no visible results were forthcoming. Within weeks the Chamber tried again. Referring to the explosion, Aitken asserted: "This unfortunate event seems to make the study requested by the Chamber all the more imperative . . . ."[65] While the continual prodding probably had some effect, an investigation into the utility remained months in the future.

With the echoes of their thanks to the Corporation for its aid fading into the distance, flags fluttering over the power plant and visiting dignitaries looking on, Regina officials commissioned their new gas turbine.[66] Not long afterwards they launched another abortive invasion of Corporation territories beyond the 1958 boundaries.[67] Not until late February 1961 did the Power and Transportation Committee recommend that steps be taken to hire consultants. Even then action was too hasty for some of their colleagues, one branding it premature and an "absolute waste of money." Council eventually agreed that the committee gather information regarding consulting firms and report back,[68] and finally in mid-August retained Haddin, Davis and Brown Limited of Calgary. Though apparently only five inches of water in Wascana Lake stood between the community and a re-enactment of the 1959 crisis, Henry Baker, now mayor, and Alderman Kenneth Cooper were still not agreeable.[69]

In hiring consulting engineers Regina authorities were quite intent upon remaining in the power business. Their instructions to Haddin, Davis and Brown were to examine three alternatives which might be applicable to the utility: (1) development of the existing plant to serve the community, (2) maintenance of the plant for base load purposes, peak and stand-by power being purchased, (3) maintenance of the plant to supply part of the city load including peak, an agreed amount of base load power being purchased. Early the following January the City received the report.[70]

If Regina developed its plant, the consultants reported, certain factors would have to be considered. First, its system and that of the Corporation were joined by a 25,000 volt interchange. If the connection was to be maintained, it should be guaranteed in writing. If not, the City should install a stand-by unit to replace it. Secondly, fuel supplies should be placed on a firmer basis. To protect itself against rising prices, the City was advised to determine the amount of gas which would be available and on the basis of that knowledge seek to obtain long-term contracts for the fuel oil it would also require. Thirdly, cooling water facilities would have to be improved, the reservoir being too small to function properly. The City was advised to enlarge and deepen the lake and to provide for replacement of summer evaporation losses with municipal water or supplies from cheaper sources. If the City could not or chose not to do so, equipment using less water or designed to conserve water might be installed, though the consultants indicated that neither appeared to be an economic solution. However, they pointed out, a new plant capable of considerable expansion could be established outside the city at its sewage lagoon.[71]

In the event that Regina chose to develop its own plant, the report stated that expenditures of $4,125,000 for a 32,000 kilowatt unit would have to be made by the end of 1964 or $7,250,000 for two such units if it were cut off from the Corporation. In addition, a further $7,000,000 would have to be spent on a 66,000 kilowatt unit by 1969.[72]

Since they were not authorized to negotiate rates with the Corporation, the consultants could not discuss the other alternatives in as great detail. Nevertheless, they concluded that purchase of power would permit Regina to defer or avoid heavy capital expenditures. Finally, using the Corporation's bulk rate at Saskatoon for comparative purposes, they estimated the financial results which would pertain to each of the three alternatives and advised the City on the steps to be taken in making its choice.[73]

All in all, the consultants' report indicated that Regina's chances of remaining autonomous had plunged very low indeed. Though it had been claimed when its gas turbine was installed that the City would have ample power for eight to ten years,[74] now only two and a half years later it was clear that Corporation assistance was essential. Two crises had demonstrated as much. Further, according to the consultants, the City required a 32,000 kilowatt unit by the end of 1963 but would be unable to have it ready for service until a year later.[75] As if to complicate already existing problems a new one was also emerging. Long-range plans for the development of the Wascana Lake area into a park were being formulated. Not long after the consultants reported, the Wascana Centre Authority was created and given wide powers over the area. One of its objectives was removal of the Regina powerhouse from its existing location.

Knowing that the City had at last to come to them, what were the thoughts of Corporation officials? Did they consider attempting to prolong talks with municipal authorities in order that it might become progressively more difficult for the City to solve any of its power problems? Or did they consider adopting an extremely tough policy? In view of the abuse their organization had received, resulting at least in part from Regina's determined effort to remain independent, and realizing that an attempt to cooperate with the municipality could bring more, they might well have. But they did not. Though they decided to make use of the powerful bargaining points they had come to possess, they determined to do so very cautiously, their aim being to obtain at least Regina's generating facilities and if possible its entire system.

Within a few weeks of receipt of the consultants' report Regina authorities began to take action upon it. Early in February James Dutton, chairman of the Power and Transportation Committee, announced that discussions with the Corporation would be instituted concerning purchase of power and the 1958 boundaries. No doubt by way of reply to the Honourable Russ Brown, who had suggested that the City also consider selling out since the Corporation was producing power more cheaply, he said as well that a reasonable purchase proposal would be considered.[76]

Dutton and his associates, Joseph Wilkie and Ian Forbes, could scarcely have found reason to rejoice over the information obtained when they met with members of the Corporation a few days later. Peak load power, they were advised, would probably not be attractive or available because of its high cost. Integration to supply it or to provide stand-by would be of no great advantage.[77] Base load power would require definition but so as not to complicate relations with other customers would be sold only on a continuous basis and would be priced in accord with the formula for such sales. The existing connection between the two systems was of no advantage to the Corporation and would be terminated unless the City contracted to pay for the facilities and rental on the generating capacity necessary to back them up. If the City decided to expand its plant, it should install all the capacity required to meet its peak load together with adequate stand-by. Though in not so many words the committee was told that if it chose to make capital expenditures it should think in terms of at least $7,000,000.

During the meeting Wilkie asked if the Corporation would object to establishment of a new plant at the municipal lagoon. Cass-Beggs was noncommittal: the Local Government Board would have to examine the proposal from the point of view of the general public benefit, at which time his organization might wish to comment. That he would not favor it was already evident, for he had pointed out that it would scatter generating facilities and might create problems in treating sewage. Among other matters touched upon was natural gas, the committee being advised that supplies would be adequate for 1963 but might have to be cut off soon thereafter.[78]

On the surface it appeared that the Corporation was adopting a very hard line. However, such was not really the case. Indications are that its officials were fearful lest the City be antagonized and plunge into something quickly which both parties would regret later. Practically all their statements seem to have been designed to emphasize the problems facing

Regina. Their next step bears out such a conclusion. During the meeting they agreed to work out rates for both base and peak load power. However, rather than do so immediately, in order to avoid dealing with details, they attempted to reach an understanding on a fairly broad basis. To that end they submitted a proposal for supplying all of the community's electrical requirements under conditions which would necessitate little direct negotiation between themselves and municipal authorities.[79] In brief, they offered the committee a slightly modified version of the Saskatoon agreement designed to leave the City in exactly the same position with respect to power revenue as it had been in the past.[80]

Months of secret negotiations ensued in the course of which the Corporation made some minor concessions. However, the City found the terms unacceptable.[81] More than that, each side eventually received what virtually amounted to an ultimatum from the other, the Corporation having stated that unless the City contracted to pay for stand-by and its fair share of the cost of the connection between the two systems those facilities would soon be dismantled, and the committee having indicated that unless a basis for agreement was worked out quickly it would recommend that the City expand its power plant.[82]

With negotiations threatening to break down and the Power and Transportation Committee considering spending $1,700,000 on what could only be a temporary expedient, [83] a new approach had to be worked out. But what was that approach to be? Cass-Beggs evidently decided that the time was ripe for a bit of quiet diplomacy. Exactly what took place is not completely clear since discussions took place in secret and no records were kept. However, it is quite obvious that the Corporation carefully reassessed its position and that of Regina and found that it could offer the citizens of the community considerably greater advantages by operating the local utility than could the City itself. But how were such terms to be offered to municipal authorities with any assurance that they would be accepted or that the Corporation could, having conceded all it believed proper, stand on them as a basis for settlement?

Cass-Beggs saw an opening. Ian Forbes had been on the Power and Transportation Committee negotiating with the Corporation until replaced by Leslie Sherman following defeat in the mayoralty contest. Possibly during discussions Cass-Beggs concluded that Forbes was inclined to dispose of the utility and would carefully examine any reasonable offer. In any event, he soon realized that such was the case. No sooner had the new committee suggested that Regina's generating facilities might be expanded at their existing site than Forbes attacked the idea.[84] Cass-Beggs contacted Forbes and discussed the power question with him. They decided that the best procedure would be to hold an informal meeting with some of the more able, influential and respected members of the community, outline terms to them and learn what their position would be. Next Cass-Beggs apparently discussed the matter with Joseph Pettick, architect of the new Corporation headquarters and chairman of the civic affairs committee of the Chamber of Commerce. Eventually Fraser McConnell, Chamber president, invited a small group to meet at his home on Albert Street. Present in addition to Forbes, Cass-Beggs, Pettick and McConnell was Gordon Grant, ex-mayor and a past president of the Chamber, and Alex Aitken, its manager. Though perhaps not so planned, Liberals and C.C.F. were both represented, at least indirectly, holding out the possibility that the local power question could be kept out of politics.

As nearly as can be established the discussion proceeded somewhat as follows. Cass-Beggs asked if they would be willing to consider sale of the utility under terms which would guarantee the City the revenue it might earn if it continued to operate it. He named an amount representing the annual minimum the City would obtain, probably about $2,000,000. The Corporation would also assume the debts against the system. The answer was no. Would they if rates were also reduced by ten percent? That was well received, someone referring to it as "sweetening the pot" and another as "cake." While these terms were being discussed Cass-Beggs added that the Corporation might also be willing to install underground wiring in new subdivisions and gradually convert the system to underground. Those present, for a variety of reasons, expressed a readiness to lend their support to assure that such terms received careful study in the event they were offered to the City.[85]

Proceeding as if nothing had happened, the Corporation soon resumed negotiations with the Power and Transportation Committee. It summarized proposals it had already made and enlarged upon them somewhat. Then it offered the terms outlined at the above meeting. If the new proposal were accepted, the Corporation claimed, Regina would be freed from removing its plant from the newly established Wascana Centre Development, the boundary question would be eliminated, the community would be assured of the lowest rates in Saskatchewan as long as it remained the largest city, industrial rates would be as low within the community as outside and the City itself would be guaranteed at least $2,000,000 annually in perpetuity. All told, the arrangement would provide the City with well over $50,000,000 in twenty-five years and enable citizens to obtain cheaper power while continuing to enjoy tax relief through the utility. Added to that, Regina would be in a position to benefit fully from future power developments, with commercial and industrial expansion being stimulated by low rates and unlimited power.[86]

Within about six weeks the Corporation was advised that its new proposal, too, was unsatisfactory. How had it been evaluated? Essentially in terms of municipal revenue. In commenting on the offer Sherman stated: " . . . Members of the City Council cannot consider the proposed rate reduction to the citizens of this City. It is the opinion of the Members . . . that the rate reduction is your concern." Further, the offer "does not maintain the City's position in respect to revenue . . . ." The municipality, he wrote, expected to obtain a surplus of about $2,235,000 from power during 1963 and about $3,000,000 in 1970, whereas it would clear only about $1,900,000 under the proposed arrangement for the former year. On the basis of such figures he requested the Corporation to guarantee the City $3,000,000 yearly, pay all debts against the system and relinquish five percent of its gross revenue to boot.[87]

In submitting its proposals the Corporation had taken issue with some of the assumptions used by Haddin, Davis and Brown and had claimed that future electrical surpluses had been overestimated in their report.[88] In replying to Sherman, Russ Brown repeated the claim. As well, he pointed out that the City's 1963 surplus was abnormally high because its plant had insufficient spare generating capacity.[89] Also expressing surprise at the City's position with respect to the proposed rate reduction, he went on to state:

> . . . there are only two fundamental objectives before us in making our offer . . . . The first is the necessity of obtaining for the Capital City an adequate and reliable power supply to meet its needs for a long period into the future, and secondly, to secure for the individual citizens and industrial customers such a supply at the lowest possible cost. It has been our hope to achieve for Regina citizens an immediate reduction in their electricity bills . . . with no increase in the mill rate as a result of the sale. However, any significant increase in payment to the City would make the rate reduction impossible and the deal would therefore be of little interest to us.
>
> It seems to us that the question of what, in fact, is the City's expectation of profit in the next decade or two is the fundamental question at issue. If the City seriously believes that it is possible to proceed on the old lines building a further plant and paying the S.P.C. for stand-by services (or providing them by some other means) and still secure a profit significantly in excess of two million dollars, then clearly the City should proceed to do so and the Corporation will make no further effort in these matters and will remove the interconnection as soon as this is feasible.

The City's counterproposal, Brown declared, was unacceptable as it was about double his organization's offer. Suggesting as well that agreement was unlikely, he added that a contract to cover stand-by services as of July 1 would soon be drawn up so that the matter could be settled before winter.

No doubt secure in the knowledge that his organization's terms were already certain of influential support and that careful examination would demonstrate that acceptance would be in the interests of the community, much of Brown's letter rang with finality. Nonetheless, probably desiring to woo the Regina Council and the community by meeting the committee's request, at least in part, he made certain concessions. He expressed a readiness to be flexible regarding a pattern for paying the City. And much more important, he stated that the Corporation would consider the $2,000,000 as a guarantee for surcharge payments alone and grant the City an additional five percent of gross revenue as a separate payment in lieu of taxes.[90] By doing so he brought the minimum Regina would receive pretty well into line with Sherman's estimate of municipal power profits for 1963. Having thus "upped the ante" the Corporation estimated that the City would receive about $70,000,000 and citizens save about half that amount on their power bills over a twenty-five year period. Included in the amount the City would obtain through the guarantee was roughly $17,000,000 for its utility.[91] No doubt believing that its proposal would eventually be accepted, the Corporation in offering these terms had, as events were to demonstrate, set the limits to which it would go.

After studying the terms for some time the Power and Transportation Committee drafted a brief report and submitted it to Council the same evening. During the course of the day Alderman Sherman described the offer as "fairly good" and meriting serious consideration. Dutton went further, stating that it should be accepted.[92] In council, however, they immediately encountered opposition. Upon reading the report, which concluded with the recommendation that the offer be duly considered, accepted or rejected and, if accepted, that thought be given to submitting it to the burgesses, Sherman and Dutton moved its adoption. Wilkie objected, expressing the belief that Regina would receive only about $7,000,000 for its system and claiming that it was worth twice as much. Matthews called for further negotiations to obtain a better deal. Mayor Baker alleged that Regina could make an additional $14,000,000 during the next twenty-five years by operating its own system. "I couldn't even support putting to the burgesses it is so poor," he was reported as saying. Baker, it seems, wanted to seek concessions in the political sphere for he suggested that the full council meet with the Corporation and the city's four members of the legislature for further discussions. Alderman Cooper was also critical. Though indicating that he knew little about the offer, he declared that if it was a final one it meant that the City was dealing with an "octopus" which used tactics associated with the "gestapo." Lastly, Alderman Wilson, who had left for Ireland a few days earlier and hence could not have read the committee's report, indicated by letter that he was unconditionally opposed to disposal of the system on any terms.

All the foregoing opinions were evidently expressed with little understanding of the Corporation's offer. In the course of the meeting both Sherman and Dutton requested their colleagues to discuss it and find out the answers to their questions before expounding on whether or not it was good. Young quickly came to their aid and asked if it would be possible to consider the rate reduction as part of the offer. He, together with D. K. Macpherson, suggested that the consultants be called in to evaluate the terms. Though in the end their motion was unanimously approved, Sherman and Dutton were given a taste of the opposition they would have to overcome to wring acceptance from their associates.[93]

During the days immediately following, the power question received considerable publicity which put the Corporation's offer in a favorable light. Sherman informed the press that if the City did not accept, the sums laid down in the consultants' report would have to be expended without delay and that stand-by costing about $500,000 per year would have to be purchased. He also released figures from the consultants' report showing that local generating costs were high because of the lack of cheap fuel and insufficient water. Gone for the moment was talk of expanding the plant for a mere $1,700,000. The Corporation also released figures concerning the amount of revenue the City would obtain and the reduction in costs to consumers under its proposal. Meanwhile, the consultants and civic officials completed evaluations of the offer. In short, they concluded that, while City revenue would be reduced by slightly over $6,000,000 from what they estimated might be obtained through municipal operation during the next twenty-five years, the community as a whole stood to gain $23,000,000 when rate reductions worth $29,000,000 were considered. Some of their figures were also publicized.[94] Yet despite such statements and findings there still remained dissatisfaction among municipal officials.[95]

After a brief postponement the matter came before Council for a decision. Sherman and Dutton moved that the offer be accepted in principle and negotiations on details be instituted. Sherman stated that a point had been reached where the City would have the same revenue whether it kept or sold its system, while sale would benefit the citizens. Complex problems would be solved, and whereas the City had refused to reduce rates for certain industries during the preceding year the Corporation would do so. Alderman Young, Peart and Mullin also called for passage of the motion, but it went down to defeat, MacPherson, Wilkie, Cooper, Wilson and Matthews opposing, and Mayor Baker casting the tie-breaking vote with the opposition. Again the proponents of sale faced determined opposition.[96]

However, the Albert Street meeting and the value of the Corporation's offer now began to bear fruit. "Has the power consumer been forgotten?" thundered Ian Forbes. "Surely he is entitled to some consideration." The decision, he asserted, was one of the most stupid ever made by Council and would be paid for heavily in years to come. If the City was sincere, he argued, it must reduce rates.[97] Leslie Hibbs, ex-chairman of the Power and Transportation Committee, also attacked the decision. Among other things, he charged that Regina's stated utility profits did not present a true picture since certain items were not charged against its operation. Further, the Wascana Lake water supply was inadequate for economical service and much of the machinery in the plant in "desperate need of repair or renewal." Stating that he did not agree politically with selling but that such matters should be put aside, he urged both the City and the Corporation to reopen negotiations aimed at completing the deal. Chamber of Commerce spokesmen also expressed disappointment. And Brown sought to raise doubts concerning Council's action. "It appears the issue has been decided on an emotional basis," he said, "rather than on the basis of dollars and cold, hard economic facts."[98]

Such criticism was not without effect. One of the aldermen who had cast a negative vote seemingly had quick second thoughts. In Council two nights later Matthews alleged that the Power and Transportation Committee had not been firm enough in dealing with the Corporation and that an attempt had been made to rush through the offer at the previous meeting. "I think some members . . . were mixed up in making their decision," he stated. Alderman Cooper denied that this applied to himself but suggested that the City wait for the Power Corporation to reopen negotiations.[99] In view of Regina's declining ability to assure its citizens of adequate power, such a procedure would have been impractical. In any case, those favoring sale continued to press for acceptance.

Dutton's strategy, it would seem, was to get a move under way to expand the Regina plant in order to bring out all the problems which would be faced in doing so. He quickly obtained passage of a motion whereby the City agreed to take prompt action to install a turbine at a cost of $1,900,000. Shortly thereafter he declared that immediate consideration would have to be given to establishing a $7,000,000 plant at the lagoon. Sherman seems quickly to have followed his cue, stating that stand-by would shortly have to be contracted for or the City would have to gamble with its power supply during the next two years while building facilities.[100] Their comments probably helped to bring expansion of the plant into question in another quarter. When the Local Government Board was approached it questioned the advisability of expansion and expressed concern for the municipality's credit rating. It also wanted to know if the plant would be moved and expressed the belief that the City could not afford to install a unit and later move it to another location. An official was recorded to have said: "We don't want the people to throw $1,900,000 down the drain."[101]

As well, the Chamber of Commerce again took up the power question publicly. Following the Albert Street meeting a substantial number of its members studied the whole situation. Concluding, among other things, that the existing powerhouse was approaching obsolescence and would have to be moved to make way for the development of the Wascana area and to ensure adequate water, that the community would benefit from sale, and that the City and Corporation should not duplicate facilities, it called upon municipal authorities to reopen negotiations. "The view has been expressed," its brief read, "that more time might possibly have been spent by our City Council in studying the motion made by your Power and Transportation Committee regarding the SPC offer and we believe that the foregoing might be kept in mind in determining whether or not to reconsider the motion."[102] This time the Chamber got immediate action. Though a motion by Wilkie and Matthews to table the brief and consider it if and when it was properly brought before Council mustered five votes, the aldermen agreed to do as suggested.[103]

Council, however, was still unready to accept the terms. Possibly in the hope of rendering them more palatable, opponents asked the Corporation for all sorts of concessions: an additional $500,000 per year under the surcharge guarantee, $7,000,000 cash, diversion to city hall of half of consumers' savings, a guarantee of no rate increases in twenty-five years, a forty-five year agreement, interest on the value outstanding during the twenty-five year period. Opponents very clearly were not agreed among themselves on what they wanted. Under such circumstances it was easier for the Corporation to answer uniformly in the negative. Either the request was impossible, would mean subsidizing Regina or was simply unacceptable. The Corporation, Brown asserted, had to treat all parts of the province on a reasonably equal basis and added in summing up: "This offer was intended as a reasonable, fair and generous proposal submitted . . . in an effort to deal with what appears to be an extremely serious situation. As we have already stated . . . we believe that the power situation in Regina is somewhat alarming, and that reasonably prompt action should be taken to make certain that the electrical requirements of the citizens . . . can be met over the coming winter."[104]

Unable to agree among themselves without further concessions, aldermen referred the question of sale to the citizens, who voted strongly in the affirmative. But even that did not settle anything insofar as certain of them were concerned. Shortly afterwards when Sherman brought in a motion to empower the City Commissioners to conclude the sale, it was defeated five to four. Some aldermen continued to call for a better deal or denied that the vote was binding on them. Wilson, for example, reportedly stated: "The people just asked us to continue negotiations not to sell at the last offer." And Baker charged that Sherman's motion was "a betrayal of the people's wishes."[105]

Notwithstanding the adverse vote, the referendum largely settled the matter. Accepting the appeal to the people as final, Cooper voted for the motion. A majority in council was thus ready to accept the Corporation's terms. But Sherman had selected an inopportune moment to introduce it; both Dutton and Mullin were absent from the meeting. In addition, D. K. MacPherson, having decided to seek his fortunes in a larger political arena, did not run in the aldermanic election which took place at the same time as the referendum. His seat was filled by Bruce Cowie, an individual prepared to accept the Corporation's offer.[106] No doubt wanting the motion to carry with as large a majority as possible, Sherman decided not to reintroduce it until the new council was in office.

While waiting for the new council to be installed Sherman, one gathers, continued to seek converts among opponents by demonstrating the insecurity of Regina's power supply.[107] His efforts, however, were unproductive. So also were much more spectacular demonstrations of the inability of the Regina plant to meet the demands being placed upon it. As Christmas approached the spectre of power rationing stalked through the community. Having sprung a leak, one of the City's largest steam turbines was limping along on wearing parts when the gas turbine failed. The

Corporation had to be called upon to supply all the power which could pass through the interchange—25,000 kilowatts. Fortunately, the steam unit held out until the gas turbine could be repaired. Had it not done so customers' demands would have exceeded supplies by a considerable margin. Within three weeks a blackout struck the capital. The plant had failed again and only about five hours later was full service restored. Though under no contract, the Corporation was again called upon to supply all electricity possible, together with all surplus gas for the local power plant. The days of an independent power system, it was fairly evident, were over. And as if to signal that such was the case the new head office building of the Power Corporation towered over the darkened community like a brilliant candle until its lights, too, were extinguished to assist the municipal system.[108]

Six nights later the City Council voted eight to three to sell out to the Corporation. Only Baker, Wilson and Wilkie held out to the end. They, together with Matthews, tried to pass an amendment instructing the Power and Transportation Committee to approach the provincial cabinet with a request for an additional $500,000 per year. Though he would have liked to see the City get more money, Cooper declared: "We'd be like puppy dogs going back to try to get a bit more of the bone." With the decision going

NEW S.P.C. HEAD OFFICE BUILDING, REGINA, 1964. (S.P.C. Photo Collection)

CITY OF
REGINA
POWER HOUSE

S.P.C. GENERAL MANAGER DAVID FURLONG ACCEPTS KEYS TO REGINA POWER PLANT FROM MAYOR HENRY BAKER, 1 MAY, 1965. (S.P.C. Photo Collection) against them and perhaps wishing to have their analyses of the event recorded for posterity, Wilson and Baker still stubbornly objected. The former alleged that Regina was getting the "worst deal of any of the cities" and Baker uttered the direful prediction: "Regina will rue the day it voted in favor of selling." "I said that before, and I haven't changed my mind."[109] But, as in earlier instances, they suggested no satisfactory alternative which the City could pursue. Had they, for example, fought consistently for a Saskatoon type agreement they might well have obtained it and might even have benefited by it.

With Regina's decision the last barrier against integrated operation of Saskatchewan's electrical facilities vanished. Though it took many months to draft an agreement and complete arrangements leading to takeover by the Corporation on May 1, 1965, the final major obstacle to a province-wide power system had been overcome. That such an outcome was possible under the circumstances, it is quite evident, was largely because of the economies made possible by the system the Corporation had created. Isolated plants simply could not cut costs in a comparable manner. Then too, Regina's lucky streak had finally broken. As Cass-Beggs recently stated, without abnormal precipitation over a lengthy period of years, its plant could never have carried its growing load as long as it did.[110]

But, in turning at last to an integrated system, Regina made its decision some thirty years late. Certain other communities and utilities did so only slightly earlier. What were the costs? In only three expenditures during the last ten years—for a steam turbine, a gas turbine and a boiler—Regina's outlay had been about $4,500,000. While the money was not simply wasted, it could have been invested more effectively in facilities capable of producing lower cost power and probably providing greater security of supply. How much was spent by Regina in a similar manner during the preceding twenty-five years is unknown. Unknown as well is the amount expended by other cities, towns and companies and, for a time, by the publicly owned system in much the same fashion in the years which followed the rejection of the report of Sullivan, Kipp and Chase. Duplication of facilities and efforts, unnecessarily high operating costs, capital expenditures on small equipment, avoidable inefficiency in the use of existing facilities, and —because of a divided utility field—failure to utilize the borrowing power of the Province to best advantage must have led to the dissipation of substantial sums.

Even the Corporation, in spite of all its achievements, did not complete its integration program without actions which were open to question. During the late fifties, perhaps partly as a reaction to the difficult years in which it had been short of generating facilities, it expanded its capacity more rapidly than was necessitated by the demands being placed upon it.[111] Though far from solely responsible, it also permitted itself to get into difficulties in connection with Squaw Rapids. Timber in the area forming the reservoir was cut down but only partly disposed of, with the result that much debris floated to the surface when flooding took place.[112] Subsequent removal of trash from the reservoir may have cost as much or more than a thorough cleanup would have at an earlier date.[113] And these were merely the direct losses. There were others as well. How much was lost through failure to utilize lignite resources as fully as they might have been? How much through industries which did not locate in Saskatchewan either because power was lacking or too expensive? The total losses are incalculable, but it is quite probable that they were considerable. Be that as it may, Saskatchewan was at last completing its electrical system.

Footnotes to Chapter X
INTEGRATION IV: ALTERNATIVES NO LONGER ATTRACTIVE

[1] Both Darling and Cass-Beggs believed political affiliation affected actions of certain aldermen. Of those with whom he dealt Cass-Beggs stated: "Only two of that whole crowd might have been considered government supporters." Interview, 8 October, 1974. For an assertion by one alderman that he opposed selling the utility on political grounds see *The Leader-Post* (Regina), 4 July, 1963. For a further example of politics affecting Corporation-Regina dealings see Ch. XII, pp. 306-7.

[2] Civic pride in the utility was understandable as for many years Regina possessed the largest power plant and lowest rates in the province.

[3] Purchase of Utility Systems, S.P.C. Conference on Power Policies, 1-2 November, 1957, Brown Papers.

[4] S.P.C. Minutes, 17 October, 1952; A. E. Blakeney to J. A. Darling, 22 April, 1953, Brown Papers, PC 16-4, City of Regina Power Agreement. Revenue from the refinery was expected to be about $400,000 a year. See S.P.C., Minutes, 17 April, 1953.

[5] When reporting to the Board on the subject Cass-Beggs recommended that acquisition be arranged before National Light obtained a new franchise or undertook any major expenditures on its system. S.P.C., Minutes, 24 March, 1955. This course was evidently the one chosen by the Government and the Corporation.

[6] S.P.C. — Cities Conference, 28 May, 1953, p. 18.

[7] *The Leader-Post* (Regina), 10 June, 1953. The unit was to be ready for service in 1956, predicted peak load for the winter of 1956-57 being 50,000 to 52,000 kilowatts. The Buffalo Pound pipeline was to carry water from Buffalo Pound Lake to Regina and Moose Jaw.

[8] In June 1953 the Corporation and Regina compared production costs. Regina costs were estimated at 0.6069 per kilowatt-hour by municipal officials and 0.617 by the Corporation. See R. R. Keith to J. W. Tomlinson, 15 June, 1953, S.P.C., Power Development, Integrated Provincial System, Power Pool, and S.P.C., Minutes, 19 June, 1953. By 1960 the cost was 0.6135. See Haddin, Davis and Brown, "Technical and Economic Report on the City Power Plant and Distribution System Regina, Saskatchewan," January 1962, Tab. No. 5, Brown Papers, PC 16-4, City of Regina Power Agreement. Hereinafter cited as Haddin Report. Costs were much lower at the Corporation's Estevan plant, having fallen to 0.314 and 0.282 in 1955 and 1956 respectively. See R. R. Keith to L. G. Ganne, 8, 14 March, 1957, S.P.C., Legislature, Votes and Proceedings No. 10. Cost of transmission would have been about one mill per hundred miles. See "A Submission to the Royal Commission on Canada's Economic Prospects by the Government of Saskatchewan," November 1955, p. 123, Brown Papers.

[9] The new turbine went into operation in January 1956. In July the City spent $140,000 to bring more water to the plant from the lower portion of Wascana Lake. Regina Council Minutes, 3 July, 1956. But even that proved insufficient. During the next two years precipitation declined, the situation becoming critical in 1959. The City attempted to carry on but by mid-June it proved physically impossible to do so, even with a peak load of only about 40,000 kilowatts. *The Leader-Post* (Regina), 5, 12 June, 1959. In a report to Council the City Commissioners stated: "It is obvious that the present water supply at the Creek is incapable of supporting a major Power Plant." City Commissioners to Mayor and Council, 16 June, 1959, in Regina Council Minutes, 16 June, 1959. The City had to turn to the Corporation for aid.

As things turned out, Regina bought power for only a matter of hours. As the crisis approached about 30,000,000 gallons of water were pumped into the cooling reservoir. But it was not the Buffalo Pound pipeline which saved the day. Rather ironically it was a heavy June downpour, the very thing Nicholl had claimed the plant was not dependent upon. *The Leader-Post* (Regina), 18 June, 1959.

It is worth noting that inadequate planning with respect to water supply went further back in time than the decision to install the turbine. The City had constructed dams without legal authority to do so and was circulating more water for cooling purposes than permitted under existing agreements. Failure to protect its water supply by legal means could have had even worse results had the dry spell continued. Wascana Lake was the only source of water for irrigating adjacent parks. There was a possibility that it might become necessary to breach a dam to make water available for that purpose. Had such a step been taken it would have had the effect of closing the plant. See *ibid.*, 5, 12 June, 1959.

[10] The difference in generating costs at Regina and Estevan was due largely to fuel prices, 4.08 as compared to 1.16 mills per kilowatt-hour. See "A Submission to the Royal Commission on Canada's Economic Prospects by the Government of Saskatchewan," November 1955, p. 123, Brown Papers. The reader will also recall Tomlinson's assertion that with integration the unit Regina proposed to install might not be needed.

[11] Regina Council Minutes, 12 April, 1956.

[12] The agreement provided that for 1958 through 1962 gas would be supplied to the Regina plant between March 15 and November 15 each year. At any time after 1962 it was subject to termination upon six months' notice. In addition, during the life of the contract the plant could be required to convert to other fuel upon fifteen minutes' notice. If such a request was not complied with, the City could be heavily penalized, gas supplies cut off and the contract cancelled. See copy of contract in *ibid.*, 26 October, 1956.

[13] Report of the Power and Transportation Committee, 9 May, 1957, in *ibid.*, 10 May, 1957. Of the proposed machine the report stated: it would be "ideal for use in the summer when the supply of water is short" and excellent for peak load. The application to the Power Commission read in part: " . . . a dry cycle seems to be approaching and if we should get two dry years in succession in Regina our cooling water would be insufficient for our existing plant." See H. I. Nicholl to J. K. Swanson, 20 February, 1957, Power Commission Records, City of Regina, Turbine, L.G.B. File No. 25. These records indicate that the main immediate concern in proposing to install the unit was to provide stand-by for steam equipment which could not be relied upon in summer. The extract from Nicholl's letter also attests to the ill-advised nature of the decision to install the steam turbine previously discussed. The fact that Regina officials knew that a cooling water crisis was possible this long before it came obliges one to attribute the water shortage of 1959 at least in part to inadequate planning and failure to take action on a problem known to exist.

[14] D. Cass-Beggs to J. E. Stinson, 26 April, 1957, Brown Papers, PC 16-4, City of Regina Power Agreement. There were no strings attached to the offer, the City being free to review its position later.

[15] H. I. Nicholl to J. K. Swanson, 14 March, 1957, Power Commission Records, City of Regina, Turbine, L.G.B. File, No. 25, Regina's determination to expand its plant is recorded elsewhere. See J. K. Swanson to R. Brown, 28 March, 1957, and H. I. Nicholl to J. K. Swanson, 5 April, 1957, *ibid.*

[16] Report of the Power and Transportation Committee, 9 May, 1957, in Regina Council Minutes, 10 May, 1957.

[17] *The Leader-Post* (Regina), 10 May, 1957.

[18] Regina Council Minutes, 24 June, 9 July, 1957; Cabinet Minutes Nos. 7,633 and 7,644, 2, 9 April, 1957, Douglas Papers, 12-11; *The Leader-Post* (Regina), 10 July, 1957.

[19] Regina Council Minutes, 3 September, 1957. After the meeting Peart expressed doubt that the City could afford such a large asset when faced with numerous expenditures. Its sale might among other things reduce power costs. Evidently he had not found the arguments of the committee convincing. Mullin stated that all they wanted was to have a capable committee of council examine the issue raised. See *The Leader-Post* (Regina), 4 September, 1957. Mullin and Peart informed the author that the move was the product of careful thought. City Commissioner John McAskill of Saskatoon first suggested to them that it might be a good idea to dispose of their system. They studied the matter at length before taking it to Council. Mullin favored selling the municipal system then as he believed power production should be centralized rather than carried on in isolated plants. Interviews with J. W. Peart, 11 July, 1967 and Fred Mullin, 17 July, 1967.

[20] *The Leader-Post* (Regina), 6 September, 1957. Comments by ex-aldermen were similar to those of the majority. See *ibid.*, 4 September, 1957.

[21] *Ibid.*, 10 September, 1957. Among other things, the need for a study of the utility was indicated by the values aldermen placed on it. Figures ranged from $7,000,000 to $50,000,000. See *ibid.*, 4, 5, 6 September, 1957.

[22] *Ibid.*, 27 September, 4 October, 1957; Regina Council Minutes, 3 October, 1957.

[23] J. A. Salterio to J. K. Swanson, 28 October, 1957, Power Commission Records, City of

Regina, Turbine, L.G.B. File No. 25. One Commission regulation stated that its consent had to be obtained if an amount in excess of fifteen percent of the original cost of a generating station was spent on that station. See Order-in-Council 305/44, *The Saskatchewan Gazette*, Regina: King's Printer, 23 March, 1944. Nicholl claimed that in establishing the price of a generating station the cost of the distribution system should be included and the fifteen percent derived from that amount. See Regina Council Minutes, 19 November, 1957. Supposing his interpretation were correct the City could have spent $2,022,966 without consent since it set the original cost of its system at $13,468,422. Nicholl claimed the expenditure would come within the limit. The turbine cost $1,868,420. An examination of Regina records disclosed other expenditures of over $140,000, an amount which did not include enlargement of the powerhouse. Judging by the cost of building enlargement in 1954 that expenditure alone would probably have been an additional $100,000. See *ibid.*, 20 April, 1954, 20 October, 1958, 26 March, 28 May, 24 August, 1959; *The Leader-Post* (Regina), 13 August, 1954. Such figures suggest that the total cost of the unit must have come fairly close to the City's original estimate of $2,250,000.

[24] Interviews with H. H. P. Baker, May 1975 and J. A. Young, July 1975.

[25] R. Brown to J. K. Swanson, 22 March, 1957, Power Commission Records, City of Regina, Turbine, L.G.B. File No. 25.

[26] *Statutes of Saskatchewan*, 1958, Ch. 89. In transferring duties to the Local Government Board new legislation made it necessary to obtain board consent before any enlargement of a utility took place. See *ibid.*, 1959, Ch. 97.

[27] There is some evidence to suggest that certain leading members of the Regina C.C.F. organization adopted a position similar to that taken by the Government. According to the press, soon after the City decided to ignore the Power Commission a Regina C.C.F. civic affairs group, accusing the majority of aldermen of having adopted an "ostrich-like" attitude toward the power system, passed a resolution calling for study of all aspects of the utility. Municipal elections were approaching and aldermanic candidates were to be invited to present their views regarding creation of a special committee to conduct such an inquiry. However, the group dropped the idea, some leading members opposing the collection of such opinions and rebuking those who had passed the resolution. See *The Leader-Post* (Regina), 17, 25 October, 1957.

[28] D. Cass-Beggs to R. Brown, 18 December, 1956, Douglas Papers, 12-11.

[29] R. Brown to All Ministers, 2 January, 1957, *ibid.*

[30] *Statutes of Saskatchewan*, 1958, Ch. 88. While the Corporation was making heavy expenditures electrifying the province, people were steadily moving to urban areas, particularly the larger cities. If the trend continued the economics of its operations could weaken. The Corporation also made investments in areas around cities. Had it not done so industries which established there might have located elsewhere. See R. Brown to J. Steel, 14 October, 1959, Brown Papers, PC 16-4, City of Regina Power Agreement.

[31] Some plants would be closed and power supplied from Estevan. All utilities would be supplied with power in bulk.

[32] Pooling Agreements for Generation, S.P.C. Conference on Power Policies, 1-2 November, 1957, *ibid.*, no file reference given.

[33] Bulk Sale of Power, *ibid.*

[34] Weyburn Council Minutes, 19 March, 1959.

[35] D. Cass-Beggs to J. H. Staveley, 23 March, 1959, Douglas Papers, 12-11. While Cass-Beggs' position on expansion of the Weyburn plant may appear somewhat unreasonable such was not the case. The City might become lax in assuring itself of adequate power as had occurred before. Under such circumstances if the Corporation had contracted to provide part of the community's needs, it could be called upon to provide more and would at least be under a moral obligation to do so. Besides, the Corporation would naturally not want to purchase more obsolete facilities than already existed at Weyburn.

[36] A brief Presented by the City of Weyburn to the S.P.C., 3 June, 1959, S.P.C., Weyburn, Town No. 3.

[37] D. Cass-Beggs to T. C. Douglas, 2 February, 1960, Douglas Papers, 12-11. At the price paid it was estimated that the Corporation's ratio of gross revenue to investment would be 17.1 percent as compared to 14.5 for the rest of its system.

[38] D. Cass-Beggs to Weyburn Electrical Consumer, 5 February, 1960, S.P.C., Weyburn, Town No. 3. Power Revenue in 1959 was $81,003. For 1960 the City would have an investment income of $110,000 and could expect about $47,900 in surcharge and gross revenue payments.

[39] D. Cass-Beggs to T. C. Douglas, 2 February, 1960, Douglas Papers, 12-11.

[40] Report of the Power Integration Committee, Moose Jaw Council Minutes, 27 May, 1957.

[41] S.P.C. News Release, 23 May, 1957.

[42] During 1957 much of the line from Hawarden to Pasqua was completed. The line from Estevan to Regina already existed. See S.P.C. *Annual Report*, 1957, pp. 10, 23.

[43] D. Cass-Beggs to H. F. Berry, 31 March, 1958, Douglas Papers, 4-30.

[44] D. Cass-Beggs to R. Brown, 11 April, 1958, H. F. Berry to R. Brown, 7 August, 1958, R.

Brown to H. F. Berry, 18 August, 1958, Brown Papers, PC 16-1, Moose Jaw Power Plant.

[45] J. Hampson to R. Brown, 21 August, 1958, R. Brown to H. F. Berry, 18 August, 1958, *ibid.* Also see *The Leader-Post* (Regina), 9 September, 1958.

[46] Corman had been solicitor for the company when it was incorporated and had acquired the franchise at Moose Jaw. At the time he obtained opinions to show that a provincial government could not expropriate such a company. Berry possessed copies of those opinions. See H. S. Lee to T. C. Douglas, 26 September, 1958, Douglas Papers, 4-30.

[47] L. G. Ganne to R. Brown, 8 October, 1958, Brown Papers, PC 16-1, Moose Jaw Power Plant. With title to the utility in dispute it might have been impossible for the City to raise funds to buy it.

[48] D. Cass-Beggs to R. Brown, 31 March, 1960, Fines Papers, I. S.P.C. AF 494. The same objection by the company was applicable to sale of the shares of National Light and Power or its assets.

[49] *The Moose Jaw Herald-Times*, 18 November, 1958, in Brown Papers, PC 16-1A, City of Moose Jaw. In fairness to the firm it must be pointed out that it had cut rates just two years earlier and on a number of other occasions. In addition, its last reduction reportedly gave Moose Jaw the lowest rates in the province.

[50] What appears to be the first reference to the rate reduction was contained in a political speech by W. R. Thatcher, Liberal leader, in which he castigated the Corporation for attempting to socialize the company. See *ibid.*, 29 August, 1958, in *ibid.*, and *The Leader-Post* (Regina), 29 August, 1958. The result was one of his periodic clashes with Brown. See *The Moose Jaw Herald-Times*, 30 August, 19 November, 1958, in *ibid.*

[51] R. Brown to J. A. Beveridge, 18 December, 1958, *ibid.*, PC 16-1, Moose Jaw Power Plant.

[52] Moose Jaw Council Minutes, 20 February, 1959; Cabinet Minute No. 8,174, 7 January, 1958, Douglas Papers, 12-11-5; J. K. Swanson to H. F. Berry, 8 January, 1958, Power Commission Records, City of Moose Jaw, L.G.B.

[53] Cabinet Minutes Nos. 9,653 and 9,759, 13 November, 30 December, 1959, A. W. Johnson to C. M. Fines, 26 May, 1960, Fines Papers, I. S.P.C., AF 494. The Province itself purchased the shares of Sterling Gas and Electric, transferring the property to the Corporation after some time. This procedure evidently minimized taxes payable by Berry and his associates and was said to be the only manner in which he was willing to sell. See D. Cass-Beggs to R. Brown, 31 March, 1960, *ibid.*

[54] Moose Jaw Council Minutes, 20 February, 1959, 30 May, 16 June, 1960. To insure that purchase would be accomplished the Corporation promised to buy the company's assets at the price the City had to pay in the event its own efforts to acquire the firm failed. See Cabinet Minute No. 17, 16 May, 1960, Fines Papers, I. S.P.C. AF 494; R. Brown to G. G. Botting, 16 May, 1960, Brown Papers, PC16-1, Moose Jaw Power Plant.

[55] On the basis of power being supplied from Estevan, a purchase price of $7,500,000 and a ten percent surcharge, it was estimated that the debt could be liquidated in ten years and a very respectable net income shown thereafter. See P. Woroby to D. Cass-Beggs, 29 December, 1959, Brown Papers, PC 16-1, Moose Jaw Power Plant.

[56] *The Leader-Post* (Regina), 17 February, 10, 13, 18 March, 1 April, 1959. If the City found itself without gas and forced to rely completely on oil its generating costs would rise.

[57] With the crisis only a few days off, the City took action to prevent water escaping from the lake. Its engineering department also drew up estimates of the cost of deepening the area near the powerhouse. Approval for such work was obtained but shortly after it rained plans to do so were dropped. City Commissioner John Steel stated: "It would have been too costly to deepen the lake with water in it." See *ibid.*, 22 October, 1959. If security of power supply was to be increased the lake had to be deepened when it held sufficient water to operate the plant.

When the City attacked the boundary legislation, Brown pointed out that it was unfair to ask the Corporation to give up areas which it might be requested to serve again at a later date or to supply power for in another crisis. See R. Brown to J. Steel, 14 October, 1959, Brown Papers, PC 16-4, City of Regina Power Agreement. It should, however, be pointed out that the City's position was not without some logic. It was using the utility for purposes of taxation. One of the arguments it put forward was that if an area did not contribute toward the utility surplus it was not entitled to benefit from that surplus.

[58] Regina Council Minutes, 1 March, 1956; *The Leader-Post* (Regina), 25 January, 1955, 15 August, 1958.

[59] Memorandum by A. Aitken, undated, Regina Chamber of Commerce Records.

[60] *Ibid.*

[61] *The Leader-Post* (Regina), 25 June, 2 July, 1960. The machine, a 15,000 kilowatt unit, was never repaired. The loss to the City was reported to be about $250,000, though in replacement costs it was likely higher.

[62] *Ibid.*, 25, 27 June, 1960.

[63] *Ibid.*, 28 June, 1960; Regina Council Minutes, 27 June, 5 July, 1960.

[64] Memorandum by A. Aitken, undated, Regina Chamber of Commerce Records.

[65] A. Aitken to J. E. Stinson, 28 July, 1960, *ibid.*

[66] *The Leader-Post* (Regina), 27 September, 1960. The unit had been placed in operation in the spring and had a capacity of 18,000 to 25,000 kilowatts depending on atmospheric temperature.

[67] *Ibid.*, 12 December, 1960. The Corporation offered the City five percent of gross revenue obtained in the areas in question and was willing to set its rates at such a level that after the City added a ten per cent surcharge, the rates of the two utilities would be equal. See D. Cass-Beggs to H. H. P Baker, 31 December, 1960, Brown Papers, PC 16-4, City of Regina Power Agreement. The City, however, apparently did not think the amount was enough.

[68] *The Leader-Post* (Regina), 28 February, 1961.

[69] *Ibid.*, 16 August, 1961. Fears had been expressed a month earlier that some of the turbines might have to be shut down because of a shortage of cooling water. See *ibid.*, 18, 26 July, 1961.

[70] Haddin Report, pp. 1-2.

[71] *Ibid.*, pp. 4-8. The report remarked that Regina did not have access to low cost fuels and that gas might not always be available. Hence, it would have to rely on oil as the most economical fuel. It also recommended that the cooling reservoir, ninety acres at high water and fifty at low, be enlarged to 120 acres. Thereafter about 100,000,000 gallons of water would be added to counteract evaporation during a three to four month summer period.

[72] *Ibid.*, p. 17. The $4,125,000 included $350,000 for improving the lake and $343,000 for possible costs of obtaining the rights to make changes in the shore line. See *ibid.*, p. 9 and Tab. No. 1. These costs applied to the existing plant. The estimated cost of installing a 32,000 kilowatt unit at the lagoon site was $4,896,000. See *ibid.*, p. 9.

[73] *Ibid.*, pp. 15, 19.

[74] *The Leader-Post* (Regina), 10 July, 1959. Though it is not clear that Nicholl made the statement, it appears in a report covering an interview with him.

[75] Haddin Report, p. 18, If the City were cut off from the Corporation and had to provide its own stand-by, it would require two such units rather than one by the end of 1963. See *ibid.*, p. 17. The City could also expect to encounter financial problems, having to spend almost as much on its power plant alone during a seven-year period as it had on its entire system during the preceding fifty-eight. The Local Government Board would have to approve the outlays and would probably insist upon examining them closely.

[76] *The Leader-Post* (Regina), 22 January, 6 February, 1962.

[77] Additions to the Corporation's peak load would necessitate major capital expenditures. As well, transmission losses would be incurred in serving the City's peak. During the winter of 1962, before Squaw Rapids came into operation, the Corporation believed it might have little spare capacity.

[78] Minutes of Regina—S.P.C. Meeting, 19 February, 1962, Brown Papers, PC 16-4, City of Regina Power Agreement.

[79] General Manager's Report, 15 May, 1962, *ibid.*, Material, S.P.C. Board Meetings.

[80] In making the offer the Corporation stated that, while it did not wish to interfere in the relationship between City Council and the citizens of Regina, it could not sit by and watch the development of an island of generation in the province on such a small scale that was known to be illogical and uneconomic at a time when the Province was building large hydro and steam plants and looking forward to an ever-increasing scale of production with attendant economies. It, therefore, offered to take over the power plant, assume the debts against it and sell power to the City at prices calculated to be those the City would encounter given the continued use of its plant and the best available extensions that could be made to it. Prices for power would be set by two firms of consulting engineers, representing respectively the City and the Corporation, who would be empowered to name an arbitrator if they could not agree. The City would continue to handle distribution and be free to retail power as it saw fit. Further, the Corporation would accept responsibility for the ultimate removal of the plant from the Wascana area and absorb all staff continuously employed in operating the plant. See Statement by the General Manager, 8 May, 1962, *ibid.*, PC 16-4, City of Regina Power Agreement.

[81] The City found fault with the proposal mainly in respect to the amount it would receive for its power plant. See *The Leader-Post* (Regina), 29 December, 1962.

[82] When the committee indicated that the Corporation's offer would not be accepted and that steps might be taken to expand the Regina plant, Cass-Beggs issued a warning. If the City decided to "go it alone" it would be faced with expenditures of about $25,000,000 on generating equipment during the next twenty years, would cut itself off from the benefits of hydro developments and place itself in a position where it could scarcely expect the provincial system to come to its aid if it did not take reasonable steps to insure an adequate power supply and protect against rising costs. He also stated that the Corporation, in fairness to its own customers, would have to charge Regina its share of the costs of the connection between the two systems and for stand-by if it was to be provided. S.P.C. News Release, 28 December, 1962, Brown Papers, PC 16-4, City of Regina Power Agreement; *The Leader-Post* (Regina), 15 January, 1963. It was estimated that the City would require 20,000 kilowatts of stand-by in 1963, 25,000 in 1964 and 30,000 in 1965 for which it would be

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charged $500,000, $625,000 and $750,000 respectively. Minutes of Regina—S.P.C. Meetings, 13 February, 1963, Brown Papers, PC 16-4, City of Regina Power Agreement.

From discussions with their electrical superintendent, the committee concluded that for $1,700,000 the City could install a 30,000 kilowatt unit in its existing plant. Report of the Power and Transportation Committee, 7 February, 1963, in Regina Council Minutes, 4 July, 1963. The Committee, therefore, rejected the Corporation's stand-by proposal. Declaring as well that it would not accept the limitations of the boundary legislation, it requested a rate for base load power, adding that if it was not forthcoming by March 15 the City would be advised to expand its plant. L. C. Sherman to R. Brown, 28 February, 1963, Brown Papers, PC 16-4, City of Regina Power Agreement.

[83] That the committee members were considering a temporary expedient is evident from the money they envisaged spending. They were proposing to install a 30,000 kilowatt unit for considerably less than half the amount their consultants estimated should be spent in adding almost identical capacity. In addition, had they proceeded to add the unit they would still have had to come to some agreement with the Corporation regarding stand-by. They could not have had the unit ready for service until late in 1965.

[84] Forbes claimed that altering the lake would only be a makeshift solution as there would be dry years. He also believed that the power plant had a detrimental effect on neighboring residential areas and that local generating costs were rising and would continue to do so. *The Leader-Post* (Regina), 9 February, 1963. When interviewed he confirmed these beliefs. Forbes also indicated that he favored selling the plant and that he might have been prepared to accept the Corporation's first offer. Price, he stated, was unimportant as it would determine the level of rates. See *ibid.*, 8 January, 1963.

[85] The above information was obtained through interviews with Ian Forbes, Joseph Pettick, Fraser McConnell, Gordon Grant and Alex Aitken, July, August, 1967.

[86] R. Brown to L. C. Sherman, 14 March, 1963, *ibid.*

[87] L. C. Sherman to R. Brown, 25 April, 1963, *ibid.*

[88] The Corporation claimed that in estimating revenue the consultants had used a constant rate of return per kilowatt-hour sold during the period studied, had based all estimated costs of expanding the plant on existing costs and had assumed that existing rates would remain in effect thereby inflating the size of profits the City might expect. See R. Brown to L. C. Sherman, 14 March, 1963, *ibid.*

[89] The inability of the Regina plant to handle its load a few months later attests to the validity of this claim.

[90] R. Brown to L. C. Sherman, 6 May, 1963, *ibid.* According to figures given to the press by the Corporation the concession meant about $250,000 to the City in 1964 rising to about $1,250,000 in 1988. *The Leader-Post* (Regina), 6 June, 1963.

[91] S.P.C. News Release, 21 May, 1963, R. Brown to I. H. MacDougall, 18 June, 1963, Brown Papers, PC 16-4, City of Regina Power Agreement.

[92] *The Leader-Post* (Regina), 21 May, 1963.

[93] *Ibid.*, 22 May, 1963; D. J. Anderson to D. Cass-Beggs, 22 May, 1963, Brown Papers, PC 16-4, City of Regina Power Agreement.

[94] *The Leader-Post* (Regina), 4, 6, 11 June, 1963. Estimates of municipal revenue which were compared with the amount the City would obtain under the Corporation's proposal were based on Regina operating its system without a connection with the Corporation and hence were probably high. The report also indicated that to operate independently and have adequate stand-by until more capacity was installed the City would have to pay $4,000,000 for such service. The Corporation had stated that it would agree to provide nothing less than adequate stand-by. Hence, it would seem that at most there could have been only about $2,000,000 difference in City revenue under the two forms of operation. See W. I. McFarland to City of Regina and attached report to Mayor and Council, 7 June, 1963, Regina City Commissioners' Records. In fact, there may have been even less difference. See Sherman's comments below.

[95] Mayor Baker allegedly stated that the only way Regina would realize anything for the future would be for the Corporation to give it $25,000,000 cash for investment purposes plus all the other trimmings. See *The Leader-Post* (Regina), 19, June, 1963.

[96] Regina Council Minutes, 2 July, 1963. MacPherson moved that the Corporation be asked to guarantee that rates would not be increased for twenty-five years—an economically impossible request. He also reportedly described Corporation stand-by proposals as "both exorbitant and outrageous." Having previously alleged that the City would be getting only $7,000,000 for its plant, Wilkie now claimed it was getting nothing. Baker reportedly made the assertion that Regina could scrap its system in fifteen years and be money ahead. And Cooper called the proposed rate reduction ($29,000,000) an unfair gimmick. See *The Leader-Post* (Regina), 3 July, 1963.

[97] *The Leader-Post* (Regina), 3 July, 1963.

[98] *Ibid.*, 3, 4 July, 1963.

[99] *Ibid.*, 5 July, 1963.

[100] *Ibid.*, 12 July, 5 August, 1963; Regina Council Minutes, 4 July, 1963. Dutton also stated

that the Wascana Centre Authority wanted the existing plant moved as quickly as possible.

[101] *The Leader-Post* (Regina), 26 July, 1963; H. S. McMillan to C. R. Johnson, 12 August, 1963, L.G.B. File, City of Regina, Electric Light Plant.

[102] Brief, 6 August, 1963, Regina Chamber of Commerce Records.

[103] Regina Council Minutes, 6 August, 1963.

[104] R. Brown to A. B. Smith, 20 September, 1963, Brown Papers, PC 16-4, City of Regina Power Agreement.

[105] *The Leader-Post* (Regina), 20 November, 1963.

[106] *Ibid.*, 20 November, 1963, 6, 10 January, 1964.

[107] Regina Council Minutes, 25 November, 3 December, 1963.

[108] *The Leader-Post* (Regina), 20 December, 1963, 10 January, 1964.

[109] *Ibid.*, 17 January, 1964; Regina Council Minutes, 16 January, 1964.

[110] Interview, 8 October, 1974.

[111] In 1959 and 1960, system capacity was 450,260 and 548,060 kilowatts respectively, whereas, peak loads were only 272,300 and 333,600 kilowatts. See S.P.C. *Annual Report*, 1966, p. 22. It is questionable, however, if the Corporation suffered financially as a result. It could use the new plants, capable of producing cheaper power than existing ones, at high capacity.

[112] D. Cass-Beggs to R. Brown, 23 April, 1964, Brown Papers.

[113] By December 31, 1973 the S.P.C. had spent $451,000 on trash removal. S.P.C., Crown Corporation Information Book, 1974.

CHAPTER ELEVEN

OPERATION "STUBBLE JUMPER"

While the Corporation was integrating the province's electrical facilities, it was also rapidly extending its operations into rural areas. In slightly over a decade electricity was supplied to or placed within reach of roughly ninety-nine percent of the agricultural community. Though the program at its inception faced apparently insurmountable obstacles, in none of the Corporation's other undertakings do final results appear to have as greatly exceeded initial expectations. To the Corporation is due much credit for the achievement, yet basic to it were economic factors. The generally favorable income position enjoyed by farmers greatly facilitated electrification of a province commonly thought to be of questionable suitability for such a program.

Electrification of farms, not only in Saskatchewan but on the prairies as a whole, is almost exclusively a post-World War II development. Though Ontario succeeded in making power available to approximately one-third of its farms by 1943, only about one percent of those on the prairies then obtained electricity from power lines. If windchargers and individual power plants were considered, the showing was somewhat better. On that basis the percentage of farms having electric lights stood at 37.3 in Ontario, 7.3 in Manitoba, 6.0 in Alberta and 4.9 in Saskatchewan, the latter figure being the lowest for any province.[1] Economic and geographic circumstances were mainly responsible for this fact. Then too, farmers did not make much use of power when they had it.

Not until the forties were serious attempts made to formulate schemes for supplying electrical service to western farmers on a comprehensive basis. That efforts to do so were put forth then can be attributed to a number of factors. Events in the United States probably provided the initial impetus. There the Rural Electrification Administration, an agency of the federal government, had a good deal of success in providing power to sparsely settled areas. It encouraged the establishment or growth of locally owned electrical cooperatives, loaning them funds on very generous terms.[2] No similar program emerged in Canada. But, as the farm economy improved during the war, widespread and sustained demands for rural electrification gradually arose. With more funds at their disposal farmers could seek ways to raise their living standards, increase efficiency or reduce the manual labor inherent in farming. Their interest and demands came at an opportune time. In general, governments and other organizations were anxious to prepare programs for implementation following the war, lest conversion of the economy to a peacetime basis be marked by unemployment and a slowdown in business.

Responses to the desires of rural residents for electricity came over a period of time and assumed different forms in each of the Prairie Provinces. Action was forthcoming quickly in Manitoba and Alberta. In 1942 Manitoba created a commission to study rural electrification. In due course it reported that ninety percent of the province's farms could be furnished with power. The Government thus adopted a plan designed to connect 5,000 farms annually to its system and undertook to subsidize such expansion by an amount equal to one-half the interest on the necessary capital. The latter decision enabled the Manitoba Power Commission to take electricity to farmyards free of charge.

The response in Alberta was different. Of the three provinces, Alberta, then as now, was the stronghold of privately owned utility companies. Probably for that reason Government action was negligible. However, private operators quickly took up the subject. During 1943 and 1944 they established test areas in the Olds, Swalwell and Vegreville districts, leading to adoption of plans for expansion through cooperatives. Under the arrangement costs of rural electrification were borne by the farming community, farmers being required to finance construction of facilities needed to serve them.[3]

Action came more slowly in Saskatchewan. The province was regarded as the most difficult of the three to electrify. Indeed, for a considerable length of time observers generally believed that serving farms on an extensive scale was out of the question.[4] However, plans for expansion into rural areas were eventually formulated, bearing some of the characteristics of those developed in the two other provinces.

In the fall of 1944, in line with Saskatchewan Reconstruction Council recommendations, investigation of rural electrification commenced. A series of meetings took place between representatives of the Government, the various utilities and others. These led to creation of a six man committee, headed by Professor H. Van Vliet of the Farm Management Branch of the university, to study possibilities of undertaking such a program with special emphasis on utilitization of individual power plants in areas unserviceable by transmission lines.[5] Though the committee never filed a final report, its work produced certain conclusions. Briefly, findings indicated that a comprehensive program would require subsidization and would cost over $80,000,000, exclusive of expenditures for lines comprising the high-voltage grid, but that only part of the province's rural areas could be electrified. The committee believed that it would be advisable to start where prospects of success were best and expand as far as economically possible while attempting to develop other sources of power for the remaining areas. To place the province's utility in a better position to make extensions to farmers, it suggested that the main power lines connecting towns and villages be built first.[6]

To a significant extent, the committee's suggestion describes Commission activities during the years 1945 through 1948. The Commission's main concern at that time was to consolidate various utility properties and create a provincial system capable of generating more low cost power at strategic locations. The state of generation and transmission facilities and the limited supply of construction material ruled out any more than token expansion in rural districts. The small number of farm extensions undertaken each year were designed to provide the provincial utility with experience in the field, to meet criticism and reduce pressure on it and the Government.[7]

While the Van Vliet committee was conducting its inquiry the Government instituted a further study on farm electrification. The objectives of the two were somewhat different. The intent of the former was to determine if a program could be inaugurated and what areas might be served. The second study, a much more technical one, undertaken by David Cass-Beggs, called for formulation of plans for electrification of all rural Saskatchewan, estimates of the costs of such a scheme and recommendations for carrying it out.[8] Largely on the basis of the two investigations the Government drafted rural electrification policies late in 1948.

From information collected the Government concluded that it would be wise to use caution in making power available to farmers. It saw such a program as a borderline proposition at best. Geographic and economic factors would greatly retard extension of service in some areas and perhaps completely prevent it in others. Viewed from the standpoint of geography, the electrification of farming districts would be very expensive. Of the nation's agricultural land the Prairie Provinces possessed approximately seventy-five percent, almost three-fifths of which lay in Saskatchewan. The farm population was also large. The province was thought to have nearly nine-tenths as many farms as Manitoba and Alberta combined. The size of Saskatchewan farms presented a further difficulty. On the average they are the largest in Canada. As a result, farm homes were more dispersed, requiring more line to bridge the gaps between them. More than that, the location of buildings—frequently in the interior of holdings—tended to obstruct electrification. Since power lines had to be constructed near roads to facilitate inspection and maintenance, long tap-offs would often be required. Statistics indicated that an average of 1.18 farm customers per mile of power line could be obtained in the province, whereas corresponding figures for Quebec, Ontario, Manitoba and Alberta were 5.83, 3.5, 1.96 and 1.27 respectively. On the basis of such factors, it was judged that rural electrification in Saskatchewan would prove much more costly than in most other provinces, both on a per customer basis and in total.

When the heavy costs of electrification were examined from the point of view of the agricultural economy additional problems appeared. In Saskatchewan wheat may be king, but to an electrical utility the straight grain farmer scarcely rated membership even in the lesser nobility. Over large sections of the province farmers concentrated almost exclusively on grain production, the proportion of such operators being the highest in the country. This form of land utilization is not regarded as conducive to large scale consumption of electricity. Areas devoted to cereal production also generally had low farm population densities and the highest proportion of farmers living or wintering in urban centres. Further complicating matters was the fact that Saskatchewan farm incomes were relatively low and extremely variable, with certain portions of the province containing higher than average numbers of low income farms.[9]

Aware of these considerations and conversant with the financial position of the province, the Government's Economic Advisory and Planning Board, in cooperation with the Power Commission, drew up the following set of principles to govern rural expansion:

(i) with certain exceptions, rural electrification is not a major factor in the farm economy of Saskatchewan;

(ii) the objective should be to develop rural electrification on a self-supporting basis;

(iii) all areas capable of such self-support should be eligible for service, depending on the capital position of the Power Commission;

(iv) since the policy of the government is to encourage the movement of population into more compact communities, priority should be given to providing service to villages, hamlets, cooperative farms, etc.;

(v) in any allocation of capital, due consideration should be given to more efficient servicing of present connections.[10]

The Government evidently adopted these principles as a basis for its Rural Electrification Act passed shortly thereafter. Both the principles and the act were characterized by caution.[11]

Insofar as electrification of Saskatchewan farms is concerned the early months of 1949 may be regarded as a watershed. Though the Rural Electrification Act passed at that time was essentially a hesitant step, it marks the beginning of provision of service on a systematic and comprehensive basis. Before then farmers obtaining power had, for the most part, resided on the outskirts of urban centres or within a few hundred yards of transmission lines. Thereafter the Corporation moved further afield. In view of the varied and profound effects electricity has had on rural life, it is difficult to gauge the full significance of changes which then began to be instituted.

In essence, the Rural Electrification Act created the legal framework for expansion by the Corporation into farming districts under three different plans. Parts one and two of the act dealt with supply of power on an individual basis and creation of rural power districts comprising seven or more farms. Part three laid down procedures for the formation of rural electrical cooperatives. Characteristics of both the Manitoba and Alberta plans were evident. Under parts one and two the Power Corporation assumed a portion of the cost of rural extensions; under part three farmers bore the full burden.

Provisions of the act for extension of service to individuals were simple. A farmer or group of farmers desiring power filed applications. If the Corporation could approve them under existing regulations, construction was authorized. Obtaining service by means of a power district was more complicated. Here seven or more farm occupants had jointly to apply for creation of a district. Following receipt of the application the Corporation conducted a survey to determine the number of farm occupants prepared to take power, the cost of the system required to serve them, the cost of operation and maintenance, and the revenue which might result. On the basis of these data the application was approved or rejected. If it was approved, meetings were held and a vote taken in which two-thirds of farm occupants within the proposed district had to support establishment before the district was created and construction authorized.

In certain respects the two methods were alike, providing as they did for rural electrification on a cost-sharing basis. In both cases the Corporation and parties served jointly financed the main power lines extending from farm to farm along road allowances. The former supplied the material while the latter bore labor costs arising from construction and clearing rights-of-way. In addition, farmers paid for material and labor for tap-offs from main power lines to farm yards, together with the necessary transformers. The essential difference between the two plans from the point of view of cost was in the apportionment of charges for labor. Where service was provided on an individual basis, each customer was responsible for labor costs resulting from the construction of his tap-off, while such expenses covering main power lines could be assessed in the same manner or divided as mutually agreed upon among a number of parties if more than one was served. In short, those receiving power bore all such costs. In a power district, on the other hand, the sum of labor costs was divided among all parcels of land in the district on an acreage basis. Though certain land might be declared submarginal and excluded, every parcel lying within half a mile of main power lines was considered part of the district. In this case all landowners, even those who did not take power, contributed toward labor costs. Under either method the Corporation retained ownership of the distribution system, maintained and operated it and supplied electric meters.

Part three, providing for the creation of cooperative associations, was different. It authorized the establishment of cooperatives for the purpose of purchasing electricity wholesale from the Corporation and distributing it to members. In this case ownership of the distribution system was vested in the cooperative which assumed all costs incurred in its construction. Operation and maintenance of such systems could also be undertaken by them or contracted to the Corporation. Such organizations were to consist of at least 100 farmers.

The only provision for credit under the act applied to power districts. Before work on a district distribution system began, payment to the Corporation of seventy-five percent of the amount for which all landowners were liable and fifty percent for which each was responsible had to be made. The balance might be deferred and levied as taxes over a five-year period.[12]

All in all, the conservative position of the Government was evident in the act. If farmers sought power through a cooperative, they assumed all costs. If they chose to be supplied as individuals or members of a power district, their share worked out to approximately sixty percent. They had also to perform much of the organizational work preparatory to establishing power districts and cooperatives. And since applications for service had to be made before the Corporation took any action, initiative for expansion was in their hands.

In view of the lower costs to farmers under parts one and two as compared to part three, at first glance one might wonder why the third section was included. Aside from the Government's intention to encourage cooperative development in general, this was apparently done to assist the Corporation financially. Believing that the utility would not have sufficient funds to meet all requests for service promptly and build the provincial grid at the same time, it was thought the provision might encourage groups able to finance the full costs of electrification to do so in order to obtain power at an early date.[13] The prospect of purchasing power wholesale would likely act as a further inducement.

The distribution of burdens under the act's cost sharing arrangements were also based on various considerations. In view of the Manitoba scheme the Province wanted a plan which would be reasonably equitable and possess fair public appeal. At the same time, it wished to remain fairly close to previous apportionment arrangements lest accusations arise that farmers already served—approximately 1,500—had received too much consideration. J. L. Phelps, who assisted in drafting the scheme, judged its terms to be quite generous. The Corporation estimated that a farmer's cost would be roughly in line with the outlay occasioned by installation of an individual thirty-two volt plant, a less satisfactory source of power. It also saw the division as possessing certain advantages. It would be readily understood, and its own share could be quite accurately determined in advance, the only variation being the rise and fall in prices.[14] Lastly, the sixty-forty split was also likely chosen as a means of limiting Corporation contributions to a maximum of $300 per customer, calculated as being the ceiling for a self-supporting scheme.[15]

The cautious attitude of the Government toward rural electrification received further emphasis during discussions in the legislature. In moving the second reading of the bill, J. A. Darling dealt at length with difficulties which would be encountered in serving farms, indicating the necessity for discretion. Too rapid expansion, he warned, would place a heavy burden on the Power Corporation and could force a return to deficit financing. Experience elsewhere suggested that five years would elapse before revenue from farm lines was large enough to retire any portion of capital investments. In further justifying the requirement that members of the agricultural community make substantial contributions toward capital costs, Darling pointed out that urban residents also paid construction charges exceeding a certain amount and went on to argue that under existing conditions farmers could bear the expense, while their doing so would permit a greater number of them to be served with the capital available to the Corporation. To keep actual payments as low as possible, he stated, every encouragement would be given farmers to build their own lines under the supervision of Corporation engineers and, in conclusion, he described the bill as a means of extending electrical amenities to rural areas on a self-supporting basis and through a cooperative effort. That the Government was pessimistic about what could be accomplished, however, was clear. Darling predicted that fifteen years would pass before a substantial showing was made.[16]

Criticism of the bill was brief but succeeded in throwing additional light on the Government's position. Walter Tucker, leader of the Opposition, expressed doubts that the scheme would be self-supporting and urged subsidization as in Manitoba. He also suggested that the division of costs placed too heavy a burden on farmers. In reply Darling declared that he would favor a subsidy if he thought it was possible and stated that service might be provided at lower cost sometime in the future. However, he reiterated, for the present those obtaining the advantages of electricity first would make substantial contributions.[17]

While Darling's response seemed to imply that subsidization was not adopted due to the financial position of the Province, this was not the only reason. When rural electrification was undergoing investigation, people often said that significant progress in the field would be impossible without a subsidy. Though sympathetic, the Government was evidently not altogether convinced that this was really desirable. Subsidies would have to come out of its revenue or be raised by borrowing. In either case the results would be somewhat unsatisfactory. No one knew to what extent the province could be electrified. With subsidization people who might never obtain power would assist those being served. Meanwhile, expansion would be restricted to the rate at which subsidies were forthcoming and would likely occur mainly in the most favorably endowed parts of the province, areas best able to bear part of the costs. To raise money by borrowing would also complicate the financing of new generation and transmission facilities for which large amounts of capital had to be obtained in that manner. Then too, if electricity were brought to farmyards at little or no cost, almost everyone could be expected to request service, including those who lived on their farms only part-time or planned to vacate in the not too distant future. The result would be additional expenditures and the danger of a high rate of disconnections before capital costs were recouped. Individuals operating uneconomic farms would likewise be more inclined to connect up, resulting in encouragement to such persons to continue their operations and thereby assisting in the perpetuation of subsistence farming.[18]

Though the Government decided not to subsidize directly, what might be described as two types of subsidies were, nonetheless, provided. These were furnished by the Corporation itself with funds obtained from its urban retail customers. Rural electrification was based on the principle that urban customers of the Corporation would bear all capital costs of the province's generating facilities and high-voltage transmission system. Farm revenue, on the other hand, was expected to cover only the costs of energy consumed by rural customers and capital costs of rural distribution systems.[19] In effect, this amounted to urban residents placing all the advantages of large generating stations free of charge for the rural community at the numerous substations throughout the province where rural lines began. In recommending adoption of the principle Cass-Beggs stated that as a proportion of the long term load (when farm electrification had been completed) the farm load would not represent more than a quarter of the total load. Therefore, whether or not farms were connected to the system, expansion of generation and transmission facilities would be on practically the same scale.[20] Assuming that Cass-Beggs' contention was valid, this form of subsidization, while very important to rural inhabitants in that it placed cheap power within economic reach, rested lightly on urban citizens.[21]

Secondly, electrical consumption by farmers upon receipt of service was generally low, many paying only minimum bills. To break even under such circumstances the Corporation should have contributed less than forty percent of the cost of providing service.[22] Consumption had to be built up, and until it was urban retail customers of the Corporation covered the losses. This was a major reason why the Corporation opposed sale of power at cost to municipalities and wanted to retain distribution systems.

Designated a test year by the Power Corporation, 1949 saw the Rural Electrification Act applied in the field. For purposes of testing it selected approximately 1,500 farms from among 4,000 to 5,000 applications on hand. These consisted of singles and groups varying upwards in size to a block of 150 farmers and numerous urban residents in the Muenster-Lake Lenore district. Regulations formulated to govern the year's program prescribed that in general farms receiving service should require no more than a half mile of distribution system. Due to priority considerations most of those chosen lay in the eastern half of the province, being concentrated in mixed farming areas.[23]

During the year all three methods of providing service were put into practice. Of the results Charles Smith, rural electrification superintendent, informed Tomlinson: "Basically the provisions of the . . . Act . . . as I have seen them in operation to date are sound. I cannot say that any major changes would be warranted at this time."[24] For the most part, farms had been connected up on an individual basis, only one power district and one cooperative being established. Difficulties were encountered in organizing groups under either arrangement.[25] Smith probably believed such problems were not insurmountable, for he discussed some of them and proposed solutions. However, he pointed out that the Corporation, through its rural electrification policies, could find itself pursuing contradictory ends:

> It is a possibility that we could eventually be asked to explain a policy that might not appear consistent to the general public. Supposing a large co-operative were formed, served out of or close to Yorkton. In fact we have that exact situation in Prince Albert today. On the one hand we are fostering formation of a co-operative where the customers buy at wholesale and retail to their customers. On the other hand in the city of Prince Albert we refuse to sell to the city at wholesale so that they can retail . . . . Would it not be more difficult to argue . . . that we should retain . . . distribution . . . if at the same time we are conducting an intensive program of building up co-operatives?[26]

Within a short time the Corporation submitted a brief to the Government requesting instructions. Drafted by J. R. Sarsfield, it discussed power cooperatives elsewhere and in Saskatchewan. Such organizations, it stated, were successful in the States, having developed because of the lack of attention given the farm market by privately owned utility companies. The American Government's original intent in establishing the Rural Electrification Administration had been to encourage such firms to expand into rural areas. Meeting no success, it turned to promoting locally owned systems through a policy of self-help. Saskatchewan was altogether different. Private companies had practically disappeared and a publicly owned utility stood ready to serve the farming community.

Power cooperatives, the brief continued, would not result in more farms being served. They supplied extra capital, but programs for 1949 and 1950 were or would be restricted more by unavailability of material than by lack of funds. Besides, generating capacity and the transmission network involved the heaviest expenditures, costs borne solely by the Corporation. The latter would also have to supply the skill and staff necessary to construct cooperatively owned distribution systems. Consequently cooperatives would not result in more rapid development in the farm field. On the contrary, if the existing one was typical, they would result in fewer farms being served when material was in short supply. The line mileage per customer was greater in the one at Prince Albert than in the Corporation's own projects.

Coming to the point raised by Smith, the submission asked if short term advantages of cooperatives as a source of capital were sufficient to offset their long term disadvantages. If power was sold at cost to them, the same might have to be done in other cases. On that basis, the cooperative section of the Rural Electrification Act ignored the problem of building a province-wide, publicly owned utility. Further, cooperatives would most likely find favor in the best agricultural areas, leaving other districts to the Corporation. Those developing in marginal or submarginal areas and finding themselves unable to meet their obligations would look to the Corporation or Government for aid, while profits from successful ones would accrue to members. The results would be detrimental to the financial position of the provincial utility. "There is a need for guidance by the Government," the brief declared, "for clarification of the Government's policy . . . . Is it the desire of the Government that the publicly owned Saskatchewan Power Corporation should favor the establishment of rural power co-operatives in the Province of Saskatchewan?"[27]

Additional implications of Smith's question were brought out in a second memorandum from him to Tomlinson:

> The whole question of co-operative development of rural power schemes is one that can drastically affect the future policies of the Government and the set-up of the Saskatchewan Power Corporation as we know it today . . . where will such a policy eventually lead? . . . it seems to me the future holds two possibilities. First, the Power Corporation would have to deal with co-operatives on a strictly impartial basis in practically the same way they are handled by the private utilities in the States and in Alberta. This has some advantages, but it does bring on a number of evils, with the result that both parties usually wind up fighting for survival. As we know, this policy is not very popular in the States, and certainly is not in Alberta. Secondly, the other alternative would seem to be for the Power Corporation to gradually step out of the distribution field, until we wound up with generating facilities only. This plus acting in an administrative capacity, much as the R[ural] E[lectrification] A[dministration] in the States, would probably be our final role. It is on this matter of broad general policy that I think the stand must be taken either one way or the other. A change in policy would be much easier to make now than it would be in a year or two, after a number of co-operatives are alive and functioning.

From the technical and purely economic viewpoints Smith demonstrated that cooperatives were not a satisfactory method of supplying power to rural Saskatchewan. Mentioning one proposed for the Birch Hills district, he related:

> We have a main trunk power line running through this area, and farmers on either side of it requesting service. Metering problems under a co-operative system are virtually insurmountable. Either the co-operative idea is abandoned, or if it is to function as a true co-operative, a separate line would have to be strung under our existing hi-line. Either this, or the co-operative would do as in the States, build another rural power line parallel to our own line, and only a few feet away. This, of course, becomes ridiculous under our set-up. Under such a condition, it seems that a co-operative would be rather impractical.[28]

In spite of the lengthy inquiry into rural electrification, it is quite evident that neither the Government nor its advisers had fully examined power cooperatives in terms of the effects they might have on establishment of an integrated power system. In any event, had the Douglas administration not done so before, it did upon receipt of the Corporation's brief. As a result, the utility had built what proved to be its first and last rural cooperative.[29] Though unrepealed, part three of the Rural Electrification Act became a dead letter. Moreover, the cooperative created was scarcely robust. It was less than half the size such ventures were intended to be, and it seemed questionable if standard Corporation rates would yield enough revenue to pay interest on the investment, let alone retire construction costs. Members also became somewhat alarmed. Because of low consumption during the first few months of operation, line and transformer losses accounted for thirty to fifty percent of energy purchased.[30] On December 28, 1951 the association went out of business, selling its distribution system to the Corporation.

While not so denoted by the Corporation, in many respects 1950 was also a test year. Again it carried out most of its rural program on the basis of farmers paying individual costs, establishing only two power districts, both in the Humboldt area. Though it had streamlined procedures for organizing them, these proved to be the last ones created, chiefly because of the time required to organize them.

With the abandoning of plans for power districts and cooperatives, rural expansion reverted to a modified form of the method adopted at the birth of the Commission. The possibility of farmers obtaining credit also disappeared. In view of such results there can be little doubt that the Rural Electrification Act failed to measure up to the expectations of its architects. In the light of certain facts the outcome is not surprising. When asked to comment on the act prior to its passage, Professor Van Vliet indicated that it would be somewhat difficult to apply. Among other things, he stated, "The definition of a proposed rural power district seems to be too lax to control a desirable form of power development." "The provisions respecting the form of districts and their extension would seem to involve an extremely complex administrative task." "In view of the indeterminantness of an equitable land tax levy for electrification, and . . . the administrative burden which such levies will imply for municipalities concerned, I am of the opinion that it should, it at all possible, be avoided entirely."[31] Perhaps allegations that the act was passed in 1949 to improve C.C.F. chances in the federal election were not without foundation. The professor's remarks and subsequent events mark it as a measure drafted in haste.[32]

Of significance for the future, however, the means to avoid the pitfalls of the first two years were largely worked out. As the 1950 program drew to a close Sarsfield pinpointed basic problems and proposed methods to circumvent them. The Rural Electrification Act was too specific, particularly regarding division of labor and material costs for main power lines, segregation of costs for main lines and tap-offs and division of costs between farmers. This necessitated detailed cost accounting on individual projects, though it was impossible to be sure that correct divisions were made. It also produced detailed discussions of costs during promotional activities, confusing the sales program and creating dissension among farmers and between farmers and the Corporation. Estimates covering a project would be drawn up on the basis of a group of farms, whereupon other farmers might decide to join. Re-estimating would follow; some might then drop out or others join. Almost endless paperwork was required. Yet in spite of all the calculating, exact costs to farmers were not known until after a project was completed. "This results in a complete muddle to the farmer and the Corporation," Sarsfield declared. Moreover, he added, much of the procedure could be eliminated as the vast majority of groups wished to pool their costs.

Lack of credit, Sarsfield further stated, restricted sign-ups and resulted in unsatisfactory coverage. Often fifty to fifty-five percent of farmers in an area agreed to take power, but credit would be needed if sixty-five percent or more were to do so. As a consequence, even those able to finance their share might not be able to obtain service.

Turning to the subject of villages, Sarsfield asserted that serving those remaining would adversely affect the financial stability of the Corporation. To safeguard the latter, extension to them would have to be made at the expense of those from which a favorable investment return was being received, through Government subsidy or by assessing them with part of the money spent to serve them.

To solve these problems the act would have to be changed to facilitate "area coverage." Under such a method, rather than dealing with an indiscriminate group of farms, an area would be marked out, mapped, a distribution system planned for the whole, and one price set for each and every farm therein, the price varying throughout the province according to farm densities. If a sufficient percentage of farmers contracted for power, they would be served regardless of their location within the area in question. This would let farmers know exactly where they stood. Experience demonstrated that a high proportion would sign for service under such a method provided credit was available. Sarsfield also believed that villages could be included in farm schemes and capital contributions obtained from them by various means.[33]

Smith had arrived at much the same conclusions. Of the existing system, he declared: "The whole psychology is restrictive. 'Cut off farms to reduce the mileage.' The final result is a fringe around every project that will be difficult or impossible to ever serve." Smith maintained that the procedure was unfair in practically every case as lines were built through sparsely settled areas to reach concentrations of farms. Those in thinly settled districts along lines not only received service but did so at the pooled price while farms on fringes of projects, though perhaps more heavily concentrated, were left out. If the fringes were served later farmers located there paid more than those in thinly settled districts served with the main groups.[34] He too called for "area coverage," a method soon authorized by the Government.

Throughout 1949 and 1950 as problems arose Corporation officials modified certain policies and practices. Originally they planned to build only a half mile of line per customer. This did not prove altogether satisfactory and was quickly increased.[35] As well, they developed new procedures for serving small hamlets. In joint farm-hamlet schemes four hamlet customers were equated with one farm in computing the average mileage of line per farm. Such customers were assessed construction charges, varying with the size of hamlets and the costs of distribution systems required to serve them, the amount thus collected being used to reduce charges to farmers in projects affected. Such a method of grouping and assessing construction costs frequently made it possible to serve an area which was considered uneconomic when farm and urban populations were examined separately. The Corporation soon overcame financial impediments to serving small towns, villages and large hamlets in a somewhat similar manner. Residents of such communities were also required to contribute toward capital costs. It deemed the practice reasonable, as serving them not only involved a fairly heavy expenditure on a distribution system but also necessitated construction of a more substantial main line than if service was provided only to farms.[36]

Classification of customers in rural areas also took place. Originally farms, schools, business establishments and so forth all paid the same rates. This was inconsistent with standard utility practices: it did not properly protect revenues, did not correctly apportion charges and would not accurately reflect growth. Thus the Corporation adopted separate farm, domestic and commercial rates, minimum charges being set at five dollars per month, except for churches, schools and community halls which received special consideration. In line with the self-help nature of rural service, it also required customers to read their own meters.[37]

Nor was modification of the methods of making electricity available to the rural community during these years confined to purely administrative and organizational matters. On the contrary, the results of experimentation in the technical field, especially the development of one-wire, single-phase transmission—the distribution of power using one wire with the earth forming the return portion of the circuit—were of signal importance, greatly aiding expansion into the sparsely settled portions of the province.

Originally rural lines in Saskatchewan were of the two-wire type. During the inter-war years, here and there in the United States, rural cooperatives began using a single wire. The practice, however, did not become widespread. Fears existed that it might create hazards to life and property and unduly interfere with communications. During the late forties, while Berry headed the Commission, approximately 400 miles of this type of line were erected for experimental purposes. The results became evident early in 1949. W. B. Clipsham, chief electrical engineer, concluded that alleged disadvantages of such systems had been much overrated. Due to the composition of prairie soils, their operation was both satisfactory and safe, while interference with communication utilities could be avoided by placing power and telephone lines further apart. From the point of view of cost the system offered the greatest single economy possible in rural electrification—a saving estimated at $200 per mile. Thus the Corporation adopted it for general use with very satisfactory results.

The Corporation also economized in supplying power to rural areas by adopting a distribution voltage of 13,800 volts to ground. Heretofore, rural lines in Canada and the U.S. had been 6,900 volts. Adoption of the higher voltage meant it could use a smaller size of wire or run for greater distances from high-voltage supplies. In most cases, it was also able to use steel wire or steel-copper combinations which were cheaper than copper conductors.[38]

In spite of the trials encountered in launching rural electrification, the Corporation achieved respectable results during the two years. Of its 1949 target of 1,200 farms, 1,142 received service. This increased the number of farm customers by eighty-five percent. Again in 1950 its goal, 2,400 farms, was not reached; but over 2,000, requiring 1,500 miles of rural line, were connected up. Construction crews were mechanized and enlarged and increased in number as new men were trained. As a result of arrangements with the Saskatchewan Timber Board, the supply of poles for rural projects was also greatly augmented. Local timber lands were developed to obtain jackpine poles, which after treatment at Prince Albert, were used to replace imports.[39]

Partly because of problems being encountered in the rural field, a Government Finance Office committee was established in 1950. Its recommendations were to have an important bearing on later expansion. It quickly concluded, on the basis of a report from Cass-Beggs, that existing policy would restrict electrification to between 10,000 and 15,000 farms situated in the better parts of the province. On this account, it described the 1949 legislation as not being expressive of the Government's considered and long term attitude and decided to review the entire program.[40] As a result, the Power Corporation received authority to adopt area coverage methods, and new credit arrangements were established for farmers. Thereafter, up to one-third of the members of any group were permitted to finance up to two-thirds of the amount due from each individual, while individual farmers were granted credit up to one-third their costs, payments being made over a three-year period. Plans to electrify 50,000 farms by 1960 were also outlined; and a five-year program, calling for the provision of power to 3,000 farms in 1951, 4,000 in 1952 and 5,000 in each of the following three years, was adopted. Finally, since rural electrification was judged to be primarily the responsibility of the Corporation, other utilities were confined to municipal boundaries so that extensions from them would not interfere with overall planning for the province.[41]

While the Finance Office was conducting its studies, the Corporation began a detailed survey of all agricultural areas in the province. This was essential for long term planning and a program of area coverage. Only through such a survey could it determine the ultimate mileage of line per farm which would have to be built and limitations, if any, which would have to be imposed. Just where the better agricultural areas lay and how large they were could also be established only in that manner. Rural municipal councils and agricultural representatives rendered much assistance in this work. The Corporation obtained maps of every rural municipality and plotted the locations of farms thereon. When the task was finished it had mapped all agricultural areas and had rated each municipality according to its ability to sustain electrification. On the basis of this information it laid out long-range programs, a large part of each year's expansion being centred in the oldest districts where farms were better established and population densities higher. It also provided for a number of projects in the newer areas of the north and thinly settled districts of the south in order that the whole province might be covered in stages.[42] At about the time this study and that of the Government Finance Office were largely completed, probably late in 1951 or early in 1952, electrification of virtually all rural Saskatchewan began to be regarded as a distinct possibility, though it was realized that a major farm recession could have serious repercussions.[43]

All things considered, 1951 marked a major turning point in rural electrification. The introduction of area coverage greatly simplified procedures and placed initiative for expansion in the hands of the Corporation.[44] More liberal credit regulations encouraged wider and a more desirable form of expansion. And difficulties which might be met in serving groups to whom area coverage could not be fully applied at once were guarded against. Among other things, deadlines for inclusion in such projects began to be established. Despite the fact that the construction season was one of the wettest encountered, and though guarantees on delivery of material could not be obtained, the year's goal of 3,000 farms was achieved and numerous small urban communities served in joint farm schemes.[45] However, no sooner had the Corporation succeeded in meeting the task set out for it than it was called upon to expand much more rapidly than had been anticipated.

Nineteen fifty-two was an election year and, as such, an ideal occasion for the Government to display its growing conviction that all rural Saskatchewan might be electrified. One of the planks on which the Douglas administration successfully campaigned spoke of electrical service for 40,000 farms and all towns during the life of the next legislature. Since its 1952 program included only 4,000 farms, it was evident that the Government was setting a major task for the Corporation. Some of the latter's reactions were summed up in a lengthy memorandum by Smith:

> The Farm Electrification program as laid out prior to the last election is tremendous almost beyond belief. *Forty thousand farms in the next four years* is a goal that will tax our resources to the utmost and calls for the most extreme degree or organization and planning. The specific statement—40,000 farms—will be the basis on which the Saskatchewan Power Corporation *and* the C.C.F. Government's power policy will be judged at the next election. Failure on our part to implement this program can only be justified on the soundest reasons. Failure to properly plan and implement this huge program will, I am certain, be no excuse if we should ever be held accountable for not attaining our goal. I further believe the issue is extremely important to the Government as a whole. Management, the Board of Directors and our staff must realize fully the scope and magnitude of our responsibilities.

The statement is an excellent illustration of the close relationship between power and politics in Saskatchewan. But that is not all. The document also casts light on party platforms. "So far as I know," Smith continued, "it has never been clarified whether we are to serve 40,000 *new* farms in the next four years or whether we are expected to be serving a total of 40,000 farms in four year's [*sic*] time. I shall assume here it is the latter that was meant, because I feel that an entirely different method of planning, even possibly uneconomic, would be necessary to produce the goal of 40,000 *new* farms." Smith pointed out that on the basis of a sixty-five percent sign up, 60,000 farms would have to be canvassed to obtain 40,000 customers and likewise, that supplying power to 40,000 farms would make it available to 60,000. Even on the basis of his interpretation, 28,000 farms would have to be connected up, an average of 7,000 per year, a number equivalent to the 1951 and 1952 programs combined. Believing that it would be impossible to double the size of the farm program in a single year, Smith urged progressive acceleration, beginning with about 6,000 farms in 1953.

But that was only part of the task; the Government had also promised electricity to all towns. In this regard Smith wrote:

> How literally this was intended, I do not know, but presumably it would mean villages and hamlets since most towns are already served. At least it is not too incorrect to assume there will be as many new urban customers as farms—28,000. This will make a grand total of 56,000 new customers in the next four years! 75% of the total number of customers presently served by the Saskatchewan Power Corporation (counting the cities of Prince Albert, Yorkton and North Battleford)! Building in four years *many more miles of line than* were built in all the preceding twenty-five years! Providing, as well, extra generating equipment and main trunk lines to supply these new customers and handle normal load growth of existing customers! In other words planning, I will venture to say, a relatively more ambitious program than has ever been carried out on this continent, or perhaps in the entire world! A program calling for detailed planning and a ruthless determination to carry it out!

Having both defined the task facing the Corporation and critically examined its past performance and existing practices, Smith turned to solutions. In short, he called for a much higher degree of planning, reorganization of the rural branch and further streamlining of its methods. While stating that material might not be available for the size of the program envisaged, he urged that plans be made as if it were unlimited: "I would rather be criticized for having planned, then not get the material, than to be accused of no plans and a surplus of material!" And in conclusion he added:

> I think the time is ripe for the announcement of a firm policy. It would seem politically wise at this time, in the same sense as the "Twenty Year Hospital Plan" by the Department of Public Health looks impressive and sound. The adoption of such a program and policy will above all require the sincere and whole-hearted support by everyone concerned—by the public, by the government and by ourselves. There will be times when we will be tempted to allow expediency to override judgement. However, if we do hold firm I have every confidence that the progress made in four short years will be so phenomenal that nothing but praise can be forthcoming.[46]

For all practical purposes, Smith's recommendations became Corporation policy. Early in the new year it decentralized rural electrification dividing the province into three sections and assigning field representatives, engineering and clerical personnel to district headquarters at Regina, Saskatoon and Yorkton. Area coverage also received greater emphasis, being made applicable to a larger portion of the province. Requirements were relaxed to enable areas with a farm density of forty-eight per township to qualify with a sixty-five percent sign up, while those of higher densities were permitted to do so with lower percentages.[47] A ceiling of one and one-half miles of line was set for individual farms within but on the fringe of area coverage projects at standard prices, greater mileages being permitted at such prices if a habitable farm was passed enroute. Lastly, new regulations governing service to those districts not immediately placed under area coverage were also formulated.[48]

At the same time the Corporation drew up new plans (for approval by the cabinet) providing for electrification of 5,500 farms and thirty-one urban centres in 1953, 6,500 farms and twenty-five urban centres in 1954 and 7,500 farms and twenty communities in both 1955 and 1956.[49] In an effort to insure the program's success, it also assumed a larger share of costs than before. A study by Cass-Beggs indicated that this would be possible if the Government could provide the capital and aggressive load building activities were conducted. Thus during 1953 and thereafter farmers agreeing to take power when the initial sign up for a project was underway received a fifty dollar discount. As well as reducing the burden on farmers, the change assisted the Corporation in obtaining the percentage of customers necessary to institute area coverage.[50]

In the following years rural electrification progressed without further far-reaching procedural changes. Major policy modifications fell largely into two classes: progressive relaxation of the qualifying requirements for area coverage and improved credit arrangements for farmers.[51] Along such lines rural electrification in Saskatchewan was carried through to a successful conclusion.

Though the discovery of a suitable approach to farm electrification played an important part, it was by no means solely responsible for the Corporation achieving its objectives. Economic conditions doubtless played a primary role. Many farmers would have been financially unable to take electricity had it not been for the generally favorable position enjoyed by agriculture during the 1950s. Those conditions aided the Government in providing funds as well. Mechanization of power line construction was also of significance,[52] as was the human factor. For carrying the program out in the field a good deal of credit is due to such men as Daniel Dojack, H. Garnet Parcher and James Rutherford, field representatives at Saskatoon, Yorkton and Regina respectively, and those serving under them. The same is true of the multitude of rural municipal officials, farmers and others who gave freely of their time in mapping the province's farms and organizing their districts in cooperation with the Power Corporation. The assistance of men like Father Mathew of Muenster and George Lincoln of Wawota, for example, proved invaluable in obtaining applications for service and arranging easements for power lines. Here, the self-help character of rural electrification really came to the fore. Actual construction of power lines did not prove popular with farmers. Though quite a lot of this work was done in certain districts, such as the Kelvington-Wadena-Rose Valley area, the idea did not really catch on. Of somewhat over 6,500 rural services built in 1954, for example, only about 200 were undertaken by farmers themselves.[53]

Load building and related activities were also of significance in facilitating electrification of rural Saskatchewan. Investigations preceding passage of the Rural Electrification Act showed that expansion would require a two fold approach. Simply making power available to the agricultural community was seen to be insufficient; rural inhabitants had also to be educated in its use. Compared with other services, there was a serious lack of appreciation of the value of electricity. If such a state of affairs had been permitted to continue not only would it have had a detrimental effect on the Power Corporation but expansion would not have been nearly as extensive.

Active encouragement of electrical consumption on Saskatchewan farms began in 1950. The Corporation's main effort that year resulted in publication of a bulletin, "Power Talks," which it enclosed with every customer's account. The intent was to acquaint the public with the wide range of uses to which electricity could be adapted and to provide information concerning corporation policies. It also began advertising through daily, weekly, and farm papers. To promote development of the farm load

OPERATION CREW, OXBOW, 1957. Such crews often electrified small groups of farms in completing the S.P.C. rural electrification program. Left to right: George Potter, Paul Dunton, John Glasser, Norman Forsyth, John Goetz and Tom McCrudie. (S.P.C. Photo Collection)

specifically, it gave printed material, together with a subscription to the magazine *Electricity on the Farm,* to every farmer receiving service. In addition, to assist farmers in obtaining value for their money and to protect its future revenue, the Corporation appointed a wiring supervisor whose duty it was to encourage the installation of adequate wiring on farms. The following year it expanded its program, initiating a series of meetings designed to emphasize the importance of adequate wiring and publishing a farm wiring handbook.

With more and more farms possessing power, the Corporation added an agricultural expert to its staff in 1952. The appointment carried with it the responsibility of working closely with farmers who had electricity to assist them in using it to best advantage. The Corporation hoped that techniques developed elsewhere for applying power to farm operations could be introduced into Saskatchewan and that successful applications by individual farmers could be passed on to others. The program involved personal contacts, correspondence, numerous rural meetings, and demonstrations of the versatility of electricity at fairs, field days and electrical shows.

With the same objective in view the Corporation took part in other activities designed to promote better or expanded use of power. In 1952 it helped institute two-week short courses in farm electrification at the University of Saskatchewan, with instruction in such topics as elementary farm wiring, maintenance and repair of farm electrical equipment, and application of electrical energy to farming operations. As well, in cooperation with electrical equipment suppliers, wholesalers and dealers, the University and Dominion Experimental Farms, it began promoting annual farm electrification conferences. The purpose was to increase understanding of the need for and problems associated with rural electrification.[54]

Greater consumption of electricity by farmers and improvement in the Corporation's financial position with respect to its rural section were also promoted through rate making. Results in the electrical industry demonstrate that the more attractive rates are, the more rapid is the growth in kilowatt-hour consumption. Schedules in effect when rural electrification began were not of the type likely to produce such results. The two-dollar service charge was unpopular with the public, and the three-cent rate for the final block of energy was too high to encourage farmers to become large consumers. Thus in 1952, the Corporation cut the service charge by half, and established a two-cent rate for consumption in excess of 135 kilowatt-hours. It made further modifications in 1956 and 1964, the charge for the final block of power falling to one and a half, then one cent per kilowatt-hour. As a result, all customers received cheaper power while a farmer using a large amount was enabled to buy energy at a much lower unit cost.[55]

The response of the farming community to promotional activities proved encouraging. Significant results were obtained immediately upon institution of the adequate wiring campaign. As well, average per farm consumption of power rose appreciably. From about 1,300 kilowatt-hours per farm in 1952, utilization increased between 700 and 750 kilowatt-hours in each of 1953 and 1954 in spite of the fact that new farms were constantly being connected up. Thereafter consumption continued to rise with growing numbers of farmers becoming relatively large users. By 1965 average consumption exceeded 5,000 kilowatt-hours per farm, an increase of more than 400 percent in twelve years.[56]

Rural electrification attained its maximum rate of expansion in 1956 and thereafter took place at a decreasing tempo. In 1957 expansion into the Meadow Lake area and the extreme southwestern portions of the province brought the Corporation into the most difficult districts to electrify. The following year witnessed the end of major projects; in fact, most of the five thousand odd farms served in 1958 were dealt with individually rather than as groups. Rural electrification on a massive scale thus drew to a close. A total of 51,027 farms had received electrical service, necessitating construction of slightly over 50,300 miles of rural line. Total costs of the rural distribution system were approximately $47,500,000 of which farmers contributed just in excess of $25,000,000. The average cost to each farmer was therefore roughly $500. All in all, fewer than 900 farmers paid the Corporation over $600 to obtain electricity.[57]

As a last organized and centralized approach to complete electrification of the province's agricultural areas, the Corporation launched "Operation Complete Coverage" in 1959. A three-year program, it envisaged the contacting, signing up, and serving of any farmers desiring but still lacking power. For the undertaking, the province was divided into three groups of rural municipalities, one of which was dealt with each year. As a result of the program completed during the previous eight years, area coverage prices existed for all districts. Anyone wishing to obtain power under the scheme could thus do so at a cost of $600 or less by paying $100 down and the balance over six years. Extensions of up to two miles were permitted for this price while farmers requiring three or four miles of lines paid the same but were obliged to sign a three-year contract and accept a double capacity service with its higher minimum bill.[58] During the three-year period about 10,000 farms were added to the system. Provided Corporation estimates of the number of occupied farms in the province were correct, approximately seventy-five percent of them had electricity, though it was available to all except a small number of inaccessible ones.[59] From 1962 to 1965 farms continued to be connected up at a rate of from one to two thousand per year, finally stabilizing at about 66,000 in 1966.[60]

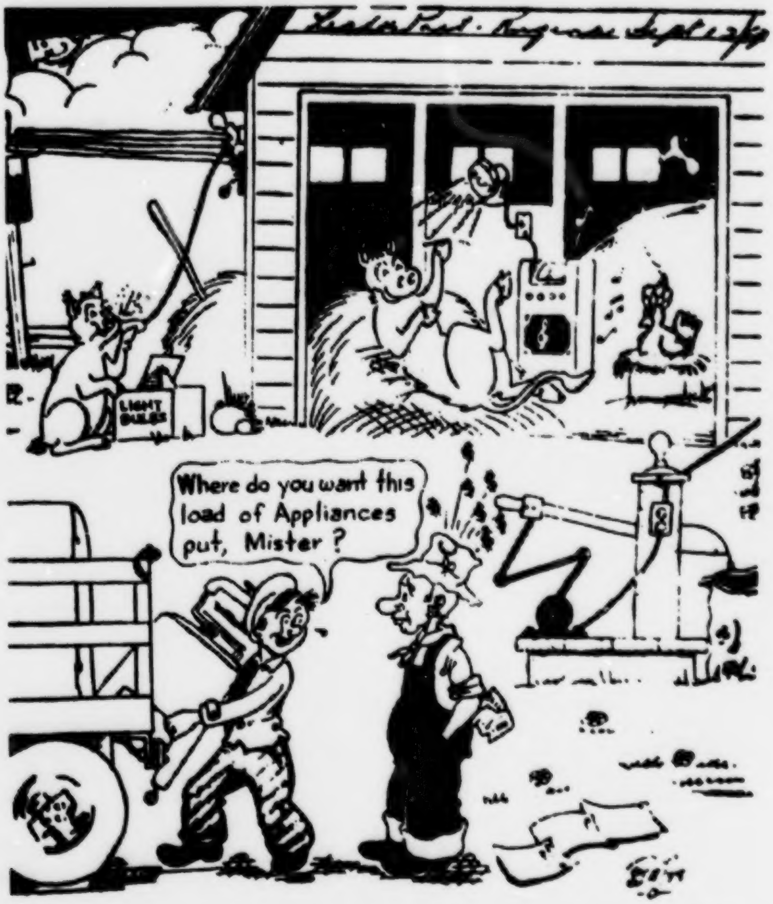
Thus far rural electrification has been examined mainly from the point of view of the Power Corporation and the Government. However, the whole province was interested in the subject. Hence in conclusion a few words will be devoted to what farmers thought of official policies and what electrification meant to the farm population and the province generally.

On the whole, farmers seem to have looked upon electrification quite realistically. About a year after systematic expansion began Smith analyzed their reactions:

> Generally speaking, I have heard very little criticism on the cost of service to farms. Where there have been misunderstandings or lack of information, I have found that an explanation of our problems clears up the criticisms that may exist. The fact that we have no cheap hydro power, the vast distances involved, and the sparseness of the farm population, are always well accepted and fully understood by the farmers. The cost of service from us as compared to the cost of operating private individual plants, plus the fact that from us they receive from three to four times the amount of power with no future maintenance expense, is also a strong selling point. The farmers generally appear to realize it is impossible to ask the Government to bear full costs of rural lines and equipment.

Smith went on to state that in most instances where farmers thought costs were high they adopted the attitude that they would take power if and when they could afford it, many laying plans for doing so as soon as possible. Exceptions, however, did exist. Difficulties were quite often encountered in areas bordering Manitoba where farmers were well aware that their neighbors could obtain service without charge.[61]

During the fifties the farmers themselves were given an opportunity to express their opinions. Briefs presented to the Royal Commission on Agriculture and Rural Life indicated that the principal objections to rural electrification policies concerned the costs of installation and the distribu-


Leader Post · Regina · Sept [illegible]
LIGHT BULBS
Where do you want this load of Appliances put, Mister ?

Viceroy farm goes on power

Fig. 3. One must have equipment to utilize electricity. (Courtesy *The Leader-Post*)

tion of costs between rural and urban areas, together with expenditures which had to be made on equipment. A submission from Churchbridge district farmers threw much light on the position they found themselves in:

> From past experiences . . . we find that the initial outlay for a farmer will be approximately from $1,400 to $1,600. This amount is arrived at in the following way: $500 or more paid to the Power Corporation for bringing power to the yard . . . $400 for wiring of the farmstead and about $600 for home appliances and motors which are absolutely necessary in order to make economical use of electricity. This high initial cost, we believe, is definitely too high for the smaller farms whose overhead expenses, because of mechanization, are also necessarily high in relation to their income.[62]

Out of a total of seventeen hearings, the consensus of opinion at thirteen was that installation costs were excessive, four supported the opposite view and all favored arrangements which would permit farmers to finance their costs over a longer period of time.

Some farmers believed that a solution to their problems lay in assessing urban residents for a greater portion of their costs. Those around Carrot River, for example, branded construction charges a "penalty for living in the country" and a badge denoting "second class citizens."[63]

Such opinions doubtless arose from an unawareness of the extent to which rural electrification was being subsidized by most urban communities. The royal commission, on its part, found no fault with the size of the initial payment farmers were required to make and, while stating that it would prefer to see less disparity between rural and urban installation costs, concluded that the Corporation could do little in that regard because its system was not completely integrated.[64]

Minor complaints were also voiced by certain types of farmers and those in particular areas. Spokesmen for renters pointed out that as a group they frequently could not obtain power because they could not persuade landowners to assume installation costs. Even area coverage was criticized, Meadow Lake farmers stating that in districts like theirs, where considerable submarginal land existed, the system tended to create hardships. Because many could not afford power, it was difficult for others to obtain it.[65] While the latter criticism was probably valid at the time it was made, such was not the case later. The $600 ceiling on area coverage prices, the increasing mileage of line provided for that price and liberalization of credit regulations were all designed to aid farmers in such districts as well as those where settlement was scattered.

On the basis of its hearings the commission concluded that people were generally satisfied with the operation and accomplishments of the Corporation's rural program and that farmers had come to recognize electricity as a necessity rather than a luxury.[66]

With respect to the effect of rural electrification the commission expressed the belief that farm life had been "revolutionized." Among other things, it stated:

> With electric power at the farmstead, a series of developments generally occurs. It often creates a number of side effects, such as improving or remodelling the farm home, the introduction of new farming enterprise, and the use of idle farm resources such as empty buildings or vacant pasture. Used fully, electricity can significantly change the structure of farm costs. Since it creates economies in time and labour required to perform many tasks, central station electricity may make it possible—with no additional labour—to expand the farm business, either through acquiring additional acreage or through intensifying production on existing acreage.[67]

According to the commission, electrification affected rural society both socially and economically, its greatest impact being of a social nature. It reached this conclusion partly because at the time of its inquiry the use of power was concentrated in the home with lighting, washing, ironing, and refrigeration being the most common applications. Farmers were definite in their opinion that power had made farm life more pleasant and had improved living conditions, having done more than any other recent technological development to make such conditions comparable with those in urban centres. Not only did it provide the aforementioned services, but it also made more feasible the installation of water and heating systems. And, the leisure it created permitted the farm family to broaden social contacts. Finally, while the commission could not state definitely that electrification slowed down the migration of people from rural to urban areas, it asserted that the development at least removed a cause for such movement.

On the economic side, the commissioners concluded that power tended to improve and stabilize farm income, the amount of improvement and degree of stabilization depending on whether or not sufficient power was applied to save substantial time and labor. Increased efficiency was particularly evident in livestock production, one kilowatt-hour of electricity, for example, being capable of pumping as much water as a man could in two days. On the basis of such economies the commission judged that utilization of a generous amount of power could remove the need for a hired man. It also pointed out the value of electricity in general farm operations, stating, among other things, that electric brooders reduced the mortality rate among young pigs and chicks, that electric lighting substantially increased winter egg production and that installation of refrigerating equipment improved the quality of milk and facilitated storage of produce. In regard to grain production, it maintained that electric power could be applied to such operations as loading, cleaning, drying, and grinding. More than that, installation of power tools and equipment such as arc welders permitted greater home maintenance and repair of machinery, saving both expense and time, while lights contributed to efficiency in production, particularly during rush season. Last but not least, electricity considerably reduced the fire hazards on farms through virtual elimination of kerosene or gasoline lamps and lanterns.

At the time the commission reported approximately ninety percent of all power consumed on Saskatchewan farms was for household purposes.

FARM SHOWING IDEAL HOOKUP FOR RURAL ELECTRIFICATION, 1958.
(Saskatchewan Archives)

In subsequent years per farm consumption rose substantially, more electricity being employed in other ways. However, it is questionable if economic effects could ever outweigh social ones because of the very nature of the latter. Then too, straight grain farming does not require large scale application of electricity, while farmers in the lower income groups do not possess the capital necessary to install a wide range of power equipment.

In regard to the province generally, the commission expressed the belief that expansion of the electrical utility to serve as many people as possible was good for the whole economy.[68] The conclusion was valid. Buoyancy or stability in the agricultural economy reacts favorably on urban communities. Besides, there were specific economic gains. The sale of electrical equipment and appliances to farmers alone ran into many millions of dollars. Both temporary and permanent work was created and development of certain industries encouraged.

Indirect benefits also accrued to the province through the Power Corporation. During 1957 and 1958, to take only two years, consumption of electricity by rural customers accounted for approximately fifteen and sixteen percent respectively of all power sold by the Corporation. Farm demands thus produced a significant increase in output of electricity with associated economies in generation and transmission.[69] Additional benefits also came to the Corporation as a result of expansion into rural areas.

The addition of farms to the urban load on the system facilitated better use of generating and transmitting facilities through diversification of the total load. On the whole, the load factor in rural areas is higher than in urban areas. Combining the two loads meant that the system load factor was improved. Then too, urban and rural peak loads come at different times of the year. As a result both can be served with less generation and transmission capacity than would have been the case if the urban load had simply been increased by an amount equal to the rural load. Such results of rural electrification react to the benefit of all Corporation customers.

On the other hand, rural electrification also had an opposite effect. Rural expansion was characterized by high capital costs and low revenue. It followed that the utility had to be content with a lower ratio of revenue to total capital invested than would have been the case had it served only urban areas. Its annual surpluses were also reduced, since for some time after being connected up many farms did not use sufficient power to cover the costs of serving them. The problem, however, became less serious as farm consumption rose and probably ceased to exist by the early sixties. By then, the province was likely obtaining a net gain through the Corporation from rural electrification. All things considered, it would seem in order to say that in the 1960s, on the basis of the original allocation of costs, urban customers of the utility who subsidized rural service were being repaid and, further, that they could look forward to future dividends, barring unforeseen developments adversely affecting rural consumption.[70]

But even supposing careful calculations should show this conclusion to be incorrect, could the people of urban Saskatchewan have afforded to permit the majority of their farmers to carry on without the advantages of electricity? With farmers periodically caught in a cost-price squeeze and agricultural commodities being sold in an international market, it would have been rather unrealistic to have denied them any opportunity to become more efficient, to reduce expenditures or to guard against technologically preventable losses of produce. The world requires more and more agricultural products. It was and is desirable that Saskatchewan farmers be in a position to do their utmost to meet those needs.

Footnotes to Chapter XI
OPERATION "STUBBLE JUMPER"

[1] Canada, *Eighth Census of Canada 1941*, Ottawa: King's Printer, 1949, Vol. IX, pp. 63-5.

[2] R.E.A. activities were frequently mentioned. For example, see "Rural Electrification in Manitoba, Saskatchewan and Alberta," *The Country Guide* (Winnipeg), August 1950, p. 13, in Brown Papers, PC 10, Rural Electrification, Sask. Rural electrification hereinafter cited as R.E.

[3] *Ibid.*, pp. 4, 8, 12-13.

[4] Schlosser's opinion seems typical: "There are only a few sections . . . where there is sufficient density to justify any type of rural electric service by means of transmission lines." Schlosser to E. H. Morrison, 1 February, 1943, D.E.P. No. 125. Also see B. Montbriand to Thornton, 27 November, 1944, S.P.C., R.E., Rural Projects, 1942-1954.

[5] *The Leader Post* (Regina), 25 November, 1944, May 1945, in S.P.C., R.E. Clippings.

[6] Minutes of meeting of R.E. Committee, 25-26 March, 1946, Department of Natural Resources, File G-3-7, A.S.

[7] J. L. Phelps to G. Cadbury, 2 July, 1947, H. F. Berry to R. D. Ramsay, 4 October, 1947, S.P.C., R.E., General, August 1942 - December 1951; S.P.C., Minutes, 27 January, 1947. The Government had decided to give farm electrification a lower priority than health services, education and highways. T. C. Douglas to author, 28 August, 1975.

[8] Memo, 1 May, 1945, Brown Papers, PC 10, R.E., Sask.; *The Leader Post* (Regina), May 1945, 23 July, 1948, in S.P.C., R.E. Clippings. D. Cass-Beggs, "Report on the Development of the Facilities of the Saskatchewan Power Commission for the Supply of Power to Rural and Farm Areas," October 1947, estimated that it would cost about $75,000,000 to serve 75,000 farms and believed that seventy percent of potential farm customers could be obtained early if rates were attractive. See pp. 77-78, 87.

[9] For limited discussions of these problems see J. F. N. Perry, "Farm Power," undated, Brown Papers, PC 10, R.E., Sask.; Memo on R.E., March 1951, S.P.C., R.E., General, August 1942 - December 1951.

[10] G. W. Cadbury to J. A. Darling, 23 December, 1948, Brown Papers, PC 10, R.E., Sask.

[11] One informed observer stated: "My general comment is that the Act seems to support an almost entirely riskless operation on the part of the Corporation . . . ." H. Van Vliet to H. S. Lee, 10 March, 1949, *ibid.*

[12] *Statutes of the Province of Saskatchewan*, 1949, Ch. 122. The decision to distribute labor costs over all land in a power district was based on the belief that electrification would increase land values. Hence, it was thought proper that nonresident owners bear some of the burden.

[13] L. F. McIntosh to J. A. Darling, 15 February, 1949, Brown Papers, PC 10, R.E., Sask.; B. N. Arnason to T. C. Douglas, 7 December, 1949, S.P.C., R.E., Co-ops.

[14] Memo by J. L. Phelps, undated, S.P.C., R.E., Co-ops; W. B. Clipsham to M. Brownstone, 23 February, 1955, S.P.C., R.E., General No. 2. Prior to passage of the act farmers bore about forty percent of costs.

[15] Perry, "Farm Power," undated, Brown Papers, PC 10, R.E., Sask.

[16] Darling on Bill 99, 23 March, 1949, S.P.C., Acts and Amendments No. 1.

[17] *The Leader-Post* (Regina), 2 April, 1949, in S.P.C., R.E. Clippings.

[18] *Ibid.*, 23 July, 1948, 2 April, 1949, in *ibid.*; T. C. Douglas to L. Stinson, 16 January, 1958, R. Brown to D. Williamson, 10 April, 1959, Brown Papers, PC 1, Minister. The question of rates was also considered in deciding to charge farmers a significant portion of construction costs. Doing so meant that lower rates and minimum bills could be applied than if the Corporation bore all costs. If farm incomes fell it would also be easier for farmers to continue using power than if rates and charges were higher. See W. B. Clipsham to M. Brownstone, 23 February, 1955, S.P.C., R.E., General No. 2.

[19] Memo re Economics of R.E. by J. W. Tomlinson, 17 October, 1952, S.P.C., R.E., General No. 2.

[20] D. Cass-Beggs, "R.E. in Sask., A Condensation," October 1947, p. 4.

[21] While this was likely true after farm consumption increased, it was less so at the beginning. Had the capital costs of generation and transmission been charged to rural electrification in proportion to the percentage of such facilities that were used for it in 1951, it would have shown each farm customer receiving a subsidy from other Corporation customers of $32.40. See Memo re Economics of R.E. by J. W. Tomlinson, 17 October, 1952, S.P.C., R.E., General No. 2.

[22] In 1951 farm customers used an average of 1,300 kilowatt-hours. On that basis the Corporation should have furnished only twenty-six percent of capital requirements. At the time the cities of Prince Albert, Yorkton and North Battleford, together with numerous towns and villages, provided the funds for this type of subsidization. See *ibid.*

[23] Decisions of Board, 13 June, 1949, S.P.C., R.E., Co-ops; *Saskatchewan News* (Regina), 1

September, 1949, in S.P.C., R.E. Clippings. Priority was given on the basis of where power was available and where it would be best used.

[24] C. E. Smith to J. W. Tomlinson, 17 January, 1950, S.P.C., R.E., Acts and Amendments No. 1.

[25] S.P.C. *Annual Report*, 1949, p. 7.

[26] C. E. Smith to J. W. Tomlinson, 17 January, 1950, S.P.C., R.E., Acts and Amendments No. 1.

[27] Mr. Sarsfield's Brïef re Power Co-operatives, 1950, Brown Papers, PC 15, Power Co-ops.

[28] C. E. Smith to J. W. Tomlinson, 24 January, 1950, S.P.C., R.E., Co-ops.

[29] S.P.C., Minutes, 2 February, 1950.

[30] C. E. Smith to J. R. Sarsfield, 2 March, 1950, S.P.C., R.E., Co-ops.

[31] H. Van Vliet to H. S. Lee, 10 March, 1949, Brown Papers, PC 10, R.E., Sask.

[32] *The Leader Post* (Regina), 30 March, 1949, in S.P.C., R.E. Clippings. There is some evidence to support the allegation. On 4 November, 1948, T. H. McLeod wrote H. Van Vliet that there was a "demand coming from certain quarters for some type of legislation dealing with Rural Electrification to be placed on the Statute Books this year. The government realizes that any action to be taken should properly await consideration of your report . . . ." Brown Papers, PC 10, R.E., Sask. Before passing the act the Government did obtain some data from Van Vliet. See "Professor Van Vliet's Comments, R.E. in Sask.," undated, *ibid*. However, he never submitted a complete report. On the other hand, T. C. Douglas states that the federal election was not a consideration. Douglas to author, 28 August, 1975.

[33] J. R. Sarsfield to J. W. Tomlinson, 15 December, 1950, S.P.C., R.E., General, August 1942 - December 1951.

[34] Memo on Area Coverage by C. E. Smith, undated, *ibid*. The problems were caused not only by the act but by Corporation regulations. Because material was in short supply, it was necessary to limit the mileage of line which would be built to serve a customer. Also see S.P.C., Minutes, 15 December, 1950.

[35] J. W. Tomlinson to J. R. Sarsfield, 17 November, 1949, S.P.C., R.E., General, August 1942 - December 1951.

[36] C. E. Smith to J. R. Sarsfield, 4 January, 1950, C. E. Smith to J. E. McArthur, 18 September, 1950, *ibid.;* Notes on Board Meeting Covering R.E., 1950, S.P.C., R.E., Rural Projects, 1942-1954.

[37] J. R. Sarsfield to J. W. Tomlinson, 10 November, 1949, Regulations and Rates for Electric Service in Rural Areas, undated, S.P.C., R.E., General, August 1942-December 1951.

[38] Memo on Earth Return Rural Power Distribution by W. B. Clipsham, 16 February, 1949, *ibid.;* B. Montbriand to W. B. Clipsham, 27 February, 1950, S.P.C., R.E., Rural Projects, 1942-1954. By the end of 1955 about 25,000 miles of this type of line had been built at a cost of about $650 per mile. See L. G. Ganne to L. A. Surtees, 17 February, 1956, S.P.C., Legislature, Votes and Proceedings No. 9.

[39] S.P.C. *Annual Reports*, 1949, pp. 6-7, 1950, p. 5.

[40] Minutes of Government Finance Office Committee on Power Development, 14 June, 1950, S.P.C., R.E., General, August 1942-December 1951.

[41] J. W. Tomlinson to J. R. Sarsfield, 13 April, 1951, *ibid.;* J. A. Darling to A. Hayworth, 6 November, 1950, Brown Papers, PC 14, Power Plants; Modification of R.E. Policies, 1949-1956, *ibid.*, PC 3A, R.E. Committee Minutes. Corporation officials wanted more liberal credit arrangements than the cabinet authorized. S.P.C., Minutes, 3 February, 1951.

[42] C. E. Smith to J. R. Sarsfield, 17 July, 1950, S.P.C., R.E., General, August 1942-December 1951. Rural areas were rated on such factors as farm density, type of farming, wheat yield, and cattle population.

[43] C. E. Smith to J. W. Tomlinson, 17 January, 1950, S.P.C., R.E., Acts and Amendments No. 1.

[44] Area coverage prices were set in the following manner. On the assumption that eighty percent of farmers in a designated area would ultimately take power, the average line mileage to serve each was determined. From this the average cost of serving each farm was calculated. A percentage of the figure constituted the area coverage price payable by each farmer. The R.E. Act had created principles for the division of costs—the Corporation was to provide the material for *main* power lines. Because the cost of material in a line exceeded the cost of labor necessary to construct it, this method of establishing prices operated to provide increasing assistance to farmers as expansion moved from denser into more thinly settled districts. From approximately sixty percent in 1951, a farmer's share of costs declined progressively.

When instituting the system, area coverage was limited to densely settled areas by restricting each customer to an average of 0.85 miles of main power line. In addition, farmers representing sixty-five percent of the habitable farms in an area had to agree to take service when construction began. As a result of the adoption of area coverage, rather than attempting to hold the line mileage required to serve a group of farms to a minimum, engineering, taking into consideration future customers, became the Corporation's prime concern in laying out rural lines.

[45] S.P.C. *Annual Report*, 1951, pp. 6, 8. Only two projects where complete area coverage was applied were completed during 1951, but their number increased rapidly thereafter.

[46] Memo on R.E. Policies by C. E. Smith, 16 July, 1952, S.P.C., R.E., General No. 2. Emphasis in original. Certain other members of the Corporation did not share Smith's surprise at the size of the Government's promise. Darling had discussed the matter with Tomlinson. Interview with J. A. Darling, 30 January, 1975. J. R. Sarsfield had already concluded the whole province could be electrified and had suggested that the Government make large scale rural electrification the main plank in its platform. Interview, 8 February, 1975. And the Board of Directors had agreed to expand the farm program as rapidly as possible. See S.P.C., Minutes, 18 April, 1952. Correspondence with T. C. Douglas suggests that by about this time the Government felt its financial position and credit rating were strong enough to commit itself publicly to complete rural electrification. Douglas to author, 28 August, 1975.

[47] To be more specific the requirements were as follows:

No. of Farms per Township	Sign up Required
48-60	65 percent
61-70	60 percent
71-80	55 percent
81 and over	50 percent

See R. E. Problems, 1 August, 1952, Brown Papers, PC 10, R.E., Sask.; Modification of R.E. Policies, 1949-1956, *ibid.*, PC 3A, R.E. Committee Minutes.

[48] Mileage limitations were relaxed for farmers obtaining service in areas not under area coverage, and a Farm Electrification Committee was established to deal with individual cases where regulations might impose particular hardships.

[49] J. W. Tomlinson to J. A. Darling, 24 September, 1953, S.P.C., R.E., Rural Projects, 1950-1954; S.P.C., Minutes, 24 July, 1952.

[50] R.E. Problems, 1 August, 1952, Brown Papers, PC 10, R.E., Sask.; Modification of R.E. Policies, 1949-1956, *ibid.*, PC 3A, R.E. Committee Minutes.

[51] For details see Modification of R.E. policies, 1949-56, Brown Papers, PC 3A, R.E. Committee Minutes.

[52] Introduction of power machinery meant a hole could be dug and a pole set in it in as little as ten minutes. A man using shovel and spoon could dig only five or six a day. Power tamping also speeded up construction. Interview with J. R. Sarsfield, 8 February, 1975.

[53] S.P.C. *Annual Report*, 1954, p. 4; Memo by E. J. Durnin, 16 December, 1954, S.P.C., Provincial Government, Dept. of Public Works, Hon. J. A. Darling.

[54] S.P.C. *Annual Reports*, 1950, p. 7, 1951, p. 8, 1952, p. 11, 1953, p. 19, 1954, p. 15, 1955, p. 22, 1956, p. 26, 1957, p. 25; C. E. Smith to W. A. Ross, 3 April, 1951, J. R. Sarsfield to J. W. Tomlinson, 31 August, 1951, S.P.C., R.E., General, August 1942-December 1951; *The Saskatoon Star Phoenix*, 23 December, 1952.

[55] Modification of R.E. Policies, 1949-1956, Brown Papers, PC 3A, R.E. Committee Minutes; J. W. Tomlinson to J. A. Darling, 7 January, 1952, S.P.C., R.E., General No. 2.

[56] S.P.C. *Annual Reports*, 1953, p. 9, 1965, p. 22.

[57] *Ibid.*, 1958, p. 9; D. E. Cuddington to B. J. Leo, 18 June, 1959, B. J. Leo to R. Brown, 20 April, 1959, S.P.C. Legislature, Votes and Proceedings No. 13; Question in House, 28 March, 1960, *ibid.*, No. 14. The number of farms electrified for the years 1951 through 1958 were 3,400, 4,300, 6,000, 6,555, 7,700, 7,800, 6,600 and 5,181. See Question in House, 23 March, 1959, *ibid.*, No. 13.

[58] "Operation Complete Coverage Farm Electrification," undated, Brown Papers, no file reference given.

[59] At the beginning of farm electrification there were thought to be over 120,000 farms in the province. By 1956 it was judged that there were only about 86,000 potential farm customers. The downward revision was due to a number of causes: people were moving from rural to urban areas, numerous farms had nonresident owners and, among other things, census figures were based on a definition of a farm which took in agricultural operations as small as three acres and those from one to three acres if their annual agricultural production was valued at $250 or more.

[60] S.P.C. Electrical System, Financial Planning Division.

[61] C. E. Smith to J. A. Darling, 7 March, 1950, Brown Papers, PC 10, R.E., Sask.

[62] *Royal Commission on Agriculture and Rural Life*, Report No. 11, "Farm Electrification," Regina, Queen's Printer, 1957, p. 8, A.S.

[63] *Ibid.*, p. 10.

[64] *Ibid.*, p. 88.

[65] *Ibid.*, pp. 10-11.

[66] *Ibid.*, pp. 82, 87.

[67] *Ibid.*, p. 1.

[68] *Ibid.*, pp. 17, 67-70, 87.

[69] According to Cass-Beggs, rural electrification helped shorten the time it would otherwise

have taken the Corporation to move from relatively small to larger generating units. Hence, "building up the load with the farm system had the indirect result of cutting down the cost of the power that was produced not only for the farms but for everyone else." Interview, 8 October, 1974.

[79] What might be regarded as the second phase of rural electrification began in the late 1950's. As large scale expansion drew to a close, a definite tendency toward more intensive use of power could be observed. In 1958 over 500 farm customers applied to the Corporation to have their contracts increased from five to ten horse-power. See S.P.C. *Annual Report*, 1958, p. 3. The development continued at an accelerating rate, roughly twenty percent of rural customers having converted to ten or more horse-power by the end of 1964.

CHAPTER TWELVE

THE S.P.C. AND NATURAL GAS, 1945-1964

In addition to its activities as an operating electrical utility, since the early 1950s the Saskatchewan Power Corporation has been engaged in the distribution of natural gas. For this reason the subject will be treated briefly. However, it should be pointed out, the succeeding pages are by no means presented as an exhaustive discussion of the topic. Rather they are intended merely to describe the establishment of the gas system, partly explain its operation and point out certain assumptions and official policies on which the construction of the system was based.

Prior to entry of the Power Corporation into the natural gas business, few communities in the province had access to such fuel. Plans for establishing local systems in a number of centres had been formulated from time to time, but none of them materialized until 1936 chiefly because of an absence of known gas supplies. The first commercial gas well in Saskatchewan came into production at Lloydminster in 1934. Two years later, following discovery of three additional wells, the community became the first in the province to use the fuel.[1] In subsequent years small strikes in the vicinity of Unity, Kamsack and Lone Rock resulted in similar utilization on a local scale. However, reserves were considered insufficient for further development.

Not until the mid-forties did the province's electrical utility become concerned with natural gas. Though a committee of the Government's Economic Advisory and Planning Board was then considering the possibilities of the distribution of gas as a domestic and commercial fuel, the Power Commission's interest centred on producing electricity. In 1946 it erected its first natural gas-fueled power station at Unity. Such a method of generating electricity was seen as a means of eliminating a number of isolated diesel plants which were more expensive to operate. By 1948 the Unity plant had increased to a size sufficient to act as base load station for an area extending to Wilkie, Kindersley and Macklin.[2] Only when the plant was operating did the attention of utility officials turn to gas transmission and distribution. Power Commissioners Berry and George Cadbury then agreed, at Phelps' suggestion, to seek to obtain the services of a person qualified to advise them on its transmission and use. They also held discussions with parties proposing to construct a gas line from Alberta to Winnipeg to determine what might be done about distributing gas in Saskatchewan.[3]

Exploration for oil on a significant scale began in the province in 1948. Resulting discoveries soon made it reasonable to assume that important gas strikes would be made. Consequently, the Power Commission agreed to work out terms for purchase in cooperation with the Department of Natural Resources so that the latter could place something definite before drillers for gas and oil "as an incentive to put forth every effort to find gas in quantity." The Commission was especially interested in obtaining gas supplies for power plants in the northeastern, southwestern and Lloydminster-North Battleford areas and for distribution in towns and cities close to discovery fields.[4] The eventual outcome, after much study by utility officials, the Department of Natural Resources, the Economic Advisory and Planning Board and the cabinet,[5] was an announcement by Darling late in 1950 that the Power Corporation would purchase gas either at the wellhead or at some central gathering point on gas fields anywhere in the province, provided sufficient quantities existed and wells were reasonably accessible. The gas, he stated, would be used for power production or distribution to consumers, depending on the proximity of fields to population centres.[6]

Laying gas line on outskirts of Kindersley, 1952. (S.P.C. Photo Collection)

Shortly after Darling's announcement the Government designated the Power Corporation as the provincial authority to distribute natural gas within Saskatchewan. While differing in engineering techniques, many problems related to its handling were believed to require the same type of experience as the distribution of electric power. In addition, a substantial portion of the personnel in a gas utility were seen as performing the same function as those in an electrical utility.[7]

Upon receipt of its new responsibilities the Corporation established the position of gas development engineer, appointing John E. Mollard to fill it. A graduate of the University of Saskatchewan's College of Engineering, he had been mechanical engineer in charge of diesel plants in the western portion of the province.[8] In addition, it retained the Fish Engineering Company of Houston, Texas as consultant. The firm enjoyed a wide reputation in the oil and gas engineering field, having just completed a pipeline from Texas to New York City. Economic analyses of potential markets and preliminary engineering studies to show the feasibility or non-feasibility of possible gas projects were undertaken in order that distribution might commence without delay if adequate gas reserves were discovered.[9]

Within a few months of the establishment by the Corporation of an assured local market for gas, exploratory drilling by the Husky-Phillips Oil Company produced promising results. A strike by it in the Brock area in August 1951 was quickly followed by the completion of other wells. Early the following year it became apparent that reserves were sufficient to warrant building a pipeline to the adjacent communities of Kindersley and Brock. Since design and cost studies had been largely completed and plans developed, construction got under way quickly. Though somewhat hampered by difficulties in obtaining steel, work was completed in time for the winter heating season. With the official opening of the system on October 20, the two communities became the first to be served with natural gas by the publicly owned utility.

All told, the Corporation's initial natural gas project consisted of only twenty miles of transmission pipeline plus eight and one-half miles of distribution system, and it reached 290 customers. Total costs were in the neighborhood of $350,000. Experienced personnel were brought in to operate the system. As well, through a program instituted during the construction period, a number of Corporation employees were trained in handling gas.[10] The nuclei of a natural gas department and a gas system were thus created within the Corporation.

Anticipating the discovery of much larger reserves, market surveys of all cities in the province were conducted; and plans for pipelines and distribution systems to supply Saskatoon and Swift Current, which were reasonably close to the discovery field, were also drawn up. Then late in 1952, following continued and successful drilling in the Brock-Coleville-Driver area, the Oil and Gas Conservation Board of the Department of

Natural Resources reported that sufficient reserves existed to justify a pipeline to Saskatoon and intervening towns and villages. Negotiations were immediately instituted with the Saskatoon City Council and agreement reached providing, among other things, that the Corporation make gas available in the community during the coming year.[11] In the process of fulfilling the contract, Rosetown, Delisle and Netherhill, situated along the route of the pipeline, were also supplied with gas, while a newly discovered field at Coleville, a few miles northwest of the original strike was tapped to serve that community.[12]

Expansion to Saskatoon in 1953 was followed by a year of consolidation. The Corporation constructed distribution systems in a number of additional communities in the immediate vicinity of its pipeline; it continued to acquire new customers in those already served, and it built a pipeline connecting the Brock field with a gathering system on the Coleville field to assure an adequate and continuous supply of gas. It also conducted investigations to determine the feasibility of extending to Prince Albert, and gave consideration to the establishment of a natural gas system in the southern part of the province. Trans-Canada Pipe Line Ltd. had been organized for the purpose of transporting Alberta gas to eastern markets. The possibilities of purchasing gas from the firm and utilizing its projected facilities to move local gas to southern Saskatchewan were discussed with officials of the company. As well, the Corporation pondered other means of supplying southern cities from Saskatchewan fields.[13]

Rapid expansion by the Power Corporation in the natural gas field began in 1955. Meetings with Trans-Canada Pipe Line Ltd. officials continued throughout the year but were inconclusive because of uncertainties regarding the time of construction of their project. The possibility that laying of the Trans-Canada Pipeline might be seriously delayed, together with the need for economical fuel for generating electricity in the southwest, resulted in a start being made on a provincially owned, southern pipeline system. Gas for it had been discovered in the Success district northwest of Swift Current and on both sides of the provincial boundary near Maple Creek. On the basis of reserves near Success, the Corporation constructed a gathering system and a short pipeline to Swift Current. Though the city itself was not supplied until the following year, fuel was thus made available for the newly erected natural gas-fueled generating station there permitting closing of the diesel plant. In the north the size of the system was more than doubled, being extended to serve Prince Albert. In addition, in order to provide sufficient transmission capacity to supply the northern city and to afford operating flexibility and greater reliability of service at Saskatoon, the Corporation laid a second pipeline from the Coleville field via Biggar to Saskatoon.[14]

The addition of 235 miles of high-pressure line in 1956 brought the total length of the system to over 650 miles. Distribution systems were constructed in the cities of Swift Current, Moose Jaw and North Battleford

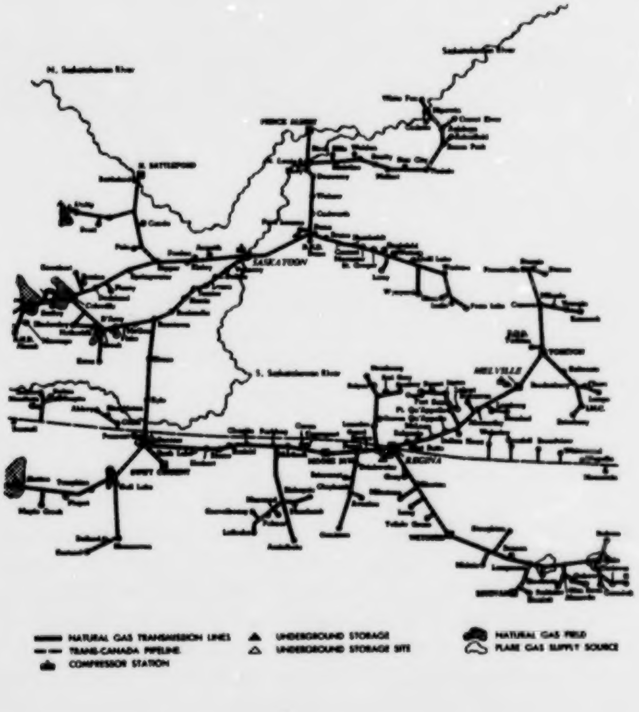
Laying pipeline across South Saskatchewan River at St. Louis, 1955. (Saskatchewan Archives)

and in ten other communities. Throughout the year the southern system was dependent on the small Success field, except for the community of Gull Lake which was served from adjacent wells. In the north crews connected a new field at Hoosier to the system and brought it into production.

Expansion during 1957 and 1958 was largely confined to the south. In 1957 the Trans-Canada Pipeline was laid across the province. A supply of gas obtained from the company enabled the Corporation to build a distribution system in Regina. During 1958 construction of natural gas lines from Moose Jaw to Regina, Success to the Alberta border, and Regina to the Steelman oil field via Weyburn resulted in the establishment of a Corporation pipeline extending virtually across southern Saskatchewan. Completion of the year's program made natural gas available to the system from the Gull Lake field, from the Hatton-Many Islands field straddling the western boundary, and in addition permitted the utilization of residue gas from the Steelman oil field.

A climax of a sort in natural gas developments took place in 1959. Completion of a pipeline from Regina to the northeastern part of the province, serving Melville and Yorkton, made gas available to all cities. Construction of another line from Success to Rosetown linked the northern and southern systems, permitting the movement of gas from one to the

NATURAL GAS SYSTEM


N. Saskatchewan River
Saskatchewan River
PRINCE ALBERT
N. BATTLEFORD
SASKATOON
S. Saskatchewan River
MELVILLE
REGINA
NATURAL GAS TRANSMISSION LINES
TRANS-CANADA PIPELINE
COMPRESSION STATION
UNDERGROUND STORAGE
UNDERGROUND STORAGE SITE
NATURAL GAS FIELD
FLARE GAS SUPPLY SOURCE

Map 8. Saskatchewan Power Corporation Natural Gas System, 1964. (Courtesy S.P.C.)

other. And expansion of the northern system to Unity connected up with the gas field there.[15] Pipelines build in subsequent years gave service in 1964 to approximately 110 additional communities, including most of the province's larger towns, as well as to industries engaged in development of resources in various localities. During the same period customers increased at the rate of approximately 8,000 per year, rising from roughly 59,000 in 1959 to 105,000 at the end of 1964.[16]

The Power Corporation's natural gas system as it exists and functions is rather complex. In establishing it careful consideration had to be devoted to developing it as economically as possible. This was essential as the construction of such a system is a very expensive undertaking. Table 2 indicates that the 1964 ratio of assets at cost to customers served was approximately 1,371 to one. In other words, it cost an average of $1,371 to supply each customer with natural gas. Conservation of an exhaustible natural resource, among other things, also played a part in the planning. To gain an insight into the establishment of the system and its operation, it is desirable to examine the undertaking from a number of perspectives: production and acquisition of natural gas by the Power Corporation, transportation of the commodity, distribution to and utilization by consumers, and key concepts behind system planning.

Natural gas production for the years in question was essentially a joint undertaking conducted by the Corporation and private gas and oil producers. The major sources of supply were the Hatton-Many Islands gas field, the Steelman-Nottingham oil field, the Coleville and Hoosier gas fields and Trans-Canada Pipe Line Ltd. Production by the Corporation itself was confined to the Hatton-Many Islands field and came about in 1959 through the adoption of a policy of buying quantities of gas "in place" — in the ground. Early that year the Corporation purchased important reserves held by Britalta Petroleums and the Crescent Oil and Gas Corporation in the Many Islands field in Alberta. It had concluded that it would be only proper to offer to do so when it could not absorb available gas supplies in a reasonable period of time. The agreement committed it to pay the companies a fixed sum over a twenty-year period. Corporation officials estimated that by doing so natural gas would be acquired for approximately thirty percent less than was being paid to producers, while the possibilities of price increases during subsequent years would be guarded against. Further, they believed that after twenty years, when payments ceased, the remaining gas — estimated at half the reserves — would be available without cost except for production expenses. The following year, as a result of a proposal from producers, the Corporation also purchased reserves in the Hatton field in Saskatchewan. Together the acquisitions brought it over a trillion cubic feet of gas, giving it a greater measure of control over the supply situation and greater freedom to coordinate the operation of the field with supplies from other sources and demands on its system.[17]

TABLE 2: GROWTH OF THE S.P.C. NATURAL GAS SYSTEM

Year	Communities Served	Customers	Gas Used in System in '000 Cubic Feet	Gas Used Electric Generating Stations '000 Cubic Feet	Assets at Cost	Gross Revenue	Net Income
1952	2	290					
1953	7	4,749					
1954	12	9,432					
1955	17	13,064	4,070,135	1,662,000	$ 17,657,168	$ 2,192,528	$ 513,564
1956	30	20,458	6,466,733	2,436,411	27,731,008	3,511,482	440,924
1957	37	33,076	10,560,580	3,005,121	37,662,032	4,996,229	601,601
1958	50	46,879	19,598,785	4,794,065	52,709,887	7,639,031	843,442
1959	69	59,326	29,152,145	8,653,410	82,840,731	10,711,117	1,840,379
1960	93	71,061	30,223,015	6,624,579	101,514,077	12,612,402	921,712
1961	112	80,551	39,423,486	7,035,519	110,768,758	15,580,345	1,112,240
1962	140	88,446	43,391,521	6,996,155	119,996,491	17,897,927	1,999,286
1963	155	97,000	48,963,222	7,939,809	133,788,907	19,404,775	2,025,319
1964	177	105,252	54,881,560	6,397,866	144,338,259	22,331,452	2,277,422

Source: S.P.C. Annual Reports.

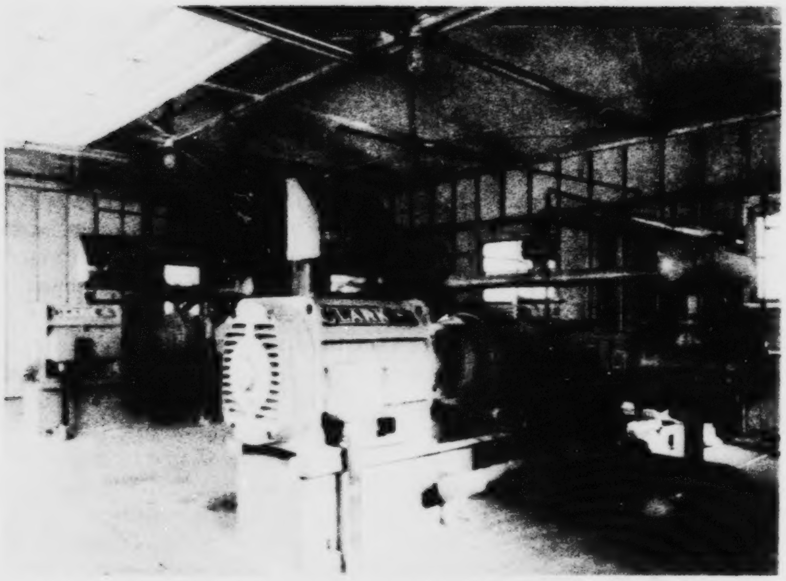
Much of the gas not produced by the Power Corporation itself was obtained in various fields at the wellhead. This practice began in 1952, partly as an incentive to companies to explore for gas.[18] Under the arrangement the Corporation constructed, owned and operated the pipelines carrying gas to the central point or points on fields at which it was collected for transmission to load centres. To gather gas in the Alberta portion of the Hatton-Many Islands field, a wholly-owned, Alberta subsidiary of the Corporation, Many Islands Pipelines Ltd., was incorporated in 1957. Trans-Canada Pipe Line Ltd. provided additional supplies. During 1956 agreement was reached with the latter assuring the Corporation of a moderate and continuous amount of gas for a twenty-year period, together with all the requirements of Regina and Moose Jaw for a brief interval.[19] The two parties subsequently completed additional contracts.

Significant quantities of gas were also obtained from oil fields. To assist in the conservation of resources and increase its gas supplies, the Corporation began purchasing residue gas in the late 1950s. The Royalite Oil Company thus erected a plant for its extraction in the Coleville area. Similar arrangements, made shortly thereafter, resulted in extraction plants being erected on the adjacent Smiley field and in the Steelman-Alida area of southeastern Saskatchewan. The procurement of gas in this manner consists of the extraction of natural gas, butane and propane from flare or casinghead gas produced in conjunction with oil. Without storage facilities or pipelines such gaseous fuels, unless used as produced or reinjected into the oil field to maintain pressure, are flared or burned. The construction of the pipeline from the Steelman district to Estevan, Weyburn, Regina and intermediate communities permitted greater utilization of such by-products.[20] Subsequent expansion of plants or the construction of new ones resulted in somewhat over fifteen percent of the total gas requirements of the Corporation being supplied from such sources during 1964. That year residue plants were operating at Steelman, Nottingham, Smiley and Dollard. In each case the Corporation purchased gas at the plant.

When the Power Corporation began building its natural gas system in 1952, and for some time thereafter, its needs provided the only significant market for gas in the province. Under such circumstances it followed that the limited reserves known to exist would be used locally. However, when it became certain that the Trans-Canada Pipeline would be constructed, the situation changed by making practicable the export of Saskatchewan gas to Eastern Canada. In 1956, to assure itself that local gas would not be exported until provincial requirements for a number of years had been safeguarded, as was done in Alberta, the Government designated the Power Corporation as the sole purchaser and distributor of natural gas in Saskatchewan. It also considered having the Corporation buy local gas at prices determined by local production costs, rather than on estimates of what such gas might bring in a hypothetical market elsewhere. However, it chose to have the Corporation continue negotiating prices with producers. Corporation policy as it developed was to meet or better Trans-Canada Pipe Line prices, a practice which resulted in producers getting a better return on their investment than their counterparts in Alberta. In later years the Government also decided to permit some exports.[21]

Initially natural gas moved through the pipeline system to consumers' premises by the wellhead pressure of the gas itself. When more gas was required at Saskatoon for consumption and for transmission to Prince Albert in 1955, a second pipeline was constructed from the gas fields to Saskatoon. Transmission facilities were similarly looped on other occasions. For example, in 1961 a second line was laid from the Hatton field to Success to ensure dependability of service and increase the amount of gas that could be delivered to the system. Along somewhat similar lines, in 1964 the Corporation arranged to deliver gas to Trans-Canada at Success and receive an equivalent thermal quantity from the company at R[illegible] By this means the company's pipeline was made to serve as a second line for the Corporation.[22]

As the system expanded and greater quantities of gas were required, however, duplication of pipelines and reliance on wellhead pressure alone to transport gas were neither economically satisfactory nor physically practicable. To begin with, looping of pipelines is expensive; and secondly, as gas is withdrawn from a field wellhead pressure declines. Consequently, in 1957 compressor stations began to be established at key points on the system. By increasing the pressure of the gas at such installations, it can be moved over longer distances and in greater quantities without enlarging the size of existing pipelines. Later, stations were established at such locations as Success to facilitate the movement of gas eastward and northward and at



INTERIOR VIEW OF ST. LOUIS COMPRESSOR STATION, 1962. (Saskatchewan Archives)

St. Louis to provide additional capacity for the pipeline to Melfort and Nipawin.[23]

To keep expenditures on pipelines to a minimum and to utilize existing ones to the optimum, the Corporation also resorted to means other than the erection of compressor stations. Saskatchewan's climate is such that the gas system must meet very heavy demands during the winter. In addition, demands vary with the time of day and day of the week. A system designed to bring all the fuel from production centres as required would be used at only a fraction of its capacity much of the time. To avoid such a situation, storage facilties, where gas is held in readiness to meet peak demands, were developed by the Corporation at various locations near provincial load centres.

Investigation into the practicability of using underground sites for storing gas commenced in 1955. It was thought that the Success field might be used for the purpose. Both the Corporation's Board of Directors and the Government approved the scheme but it was not immediately followed up. However, other sites were employed. In 1959 Corporation pipelines reached Unity, whereupon the local distribution system and gas field were acquired. The field was nearly depleted so was used for storage at once. Additional wells were subsequently drilled to increase the amount of gas it could deliver to the system in a given period of time. Each summer gas was injected into the field by a compressor station located there for the purpose.

At times of heavy demand during the winter the station withdrew the gas and pumped it into the pipeline for adjacent communities.[24]

Other underground storage sites used by the Corporation were man-made, having been hollowed out of salt beds at a depth of a few thousand feet. Four storage caverns of this type existed or were under construction in 1964: one at Melville, one at Prud'homme and two at Regina. Only the cavern at Melville had been completed, having been chosen as a test site because it was close to a pipeline and because underground storage of liquified gas had already been successfully accomplished there by the Steelman Gas Company. Creation of it, employing solution mining techniques, began in 1962. Water was taken from the Blairmore formation — a bed of water-bearing sandstone — and injected into the salt deposit to dissolve it. The resulting brine was then returned to another part of the Blairmore. By repeated washings a cavern gradually took shape.[25] Development of the Regina caverns began in 1963 and the one at Prud'homme in 1964 using the same methods.[26] As in the case of the Unity field, compressor stations were erected at the sites to inject and withdraw the gas.

All in all, the establishment of storage sites facilitated more effective use of pipelines, permitted the construction of smaller diameter lines, resulted in the system requiring fewer gas wells and, hence, smaller gathering systems to obtain its required fuel supplies and enabled the Corporation to buy gas at higher load factors and consequently at lower prices than would otherwise have been the case. Both operating costs and capital investment were thus kept to a minimum. The economies introduced by storage are significant in cases like that of Saskatchewan where gas supplies are many miles from load centres. Gas production also tended to be more stabilized. Last but not least, in a province where interruptions can be particularly hazardous in winter, storage facilities are considered as emergency sources of fuel.[27]

In 1952, as previously noted, the Government, believing that provincial ownership of gas facilities would bring the greatest benefits to the largest possible number of Saskatchewan residents, designated the Power Corporation as the provincial authority to distribute natural gas. Owing in part to this decision, gas was sold only by the Corporation, unlike electricity which was still distributed by a number of municipalities. In view of the fact that the establishment of the gas system coincided in its timing with Corporation efforts to create an integrated electrical system, it is not at all surprising that attempts were made to institute such a policy.[28] In order to justify transmission costs in a province of great distances and small population, the retail price had to be low enough to command virtually the whole fuel market. Had the gas utility been permitted to fall into the hands of city authorities, and perhaps been converted into another taxing machine, fewer people using other fuels could have been expected to convert to gas with the result that expansion would likely have been less widespread. For the same reason, distribution systems had to be built as quickly as possible, not in stages as Regina spoke of doing when considering municipal operation of the local gas system.[29] A lower volume of sales would also have had an adverse effect on the Corporation's ability to grant industries favorable rates.[30]

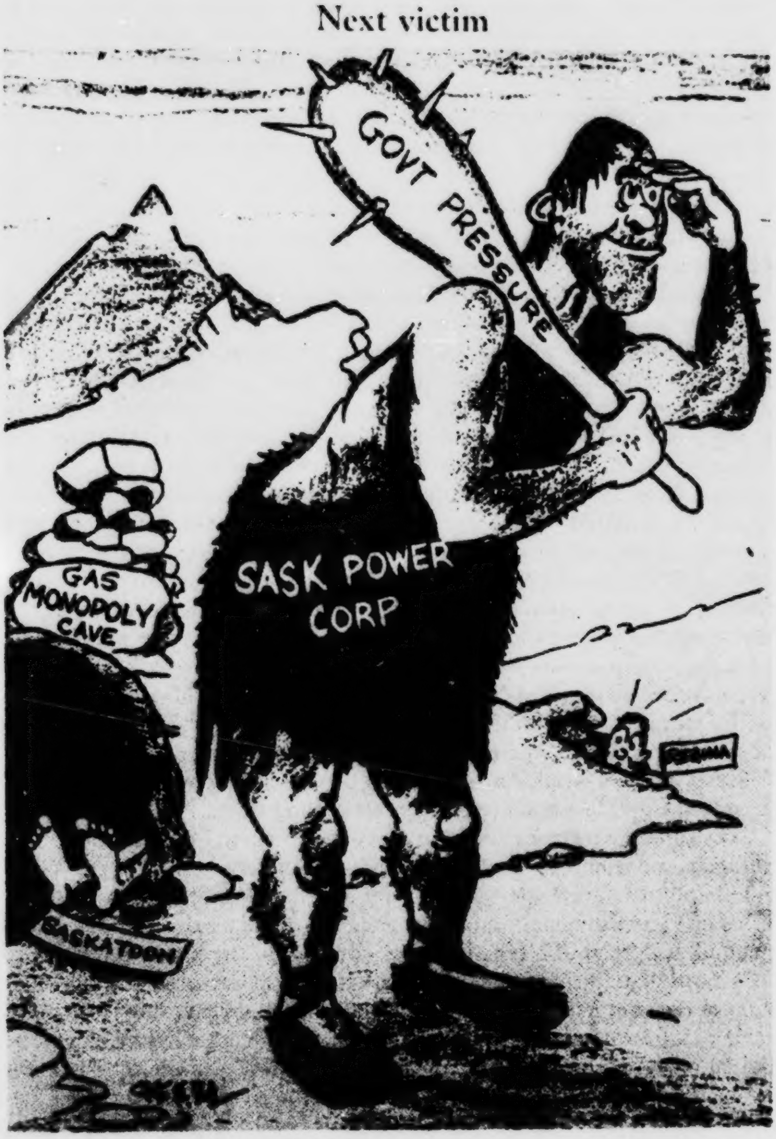
A natural gas agreement with Saskatoon set a pattern for terms eventually agreed upon by all cities. When the size of reserves indicated that supplies of gas would be available for that community, municipal authorities gave some thought to purchasing their requirements, piping the fuel to the city and selling it to residents. However, both the Corporation and the Government took a dim view of the idea. Darling stated that if it were adopted only the city, rather than the city and intervening communities, would be supplied. He and fellow members of the Board decided to have Cass-Beggs prepare a report for the cabinet based upon three assumptions. First, all gas would be retailed by a central provincial authority.[31] Secondly, municipal revenue would not be augmented or subsidized directly by sale of gas in a municipality. And thirdly, a common price would be established for the same class of customers and the same consumption levels throughout fairly large regions if not all accessible parts of the province regardless of the particular costs of supplying various communities.[32]

Upon due consideration and probably in the hope of avoiding disputes with municipal authorities, the Government decided to allow them some revenue and to refrain, at least for a time, from prohibiting them from distributing gas within their own boundaries. However, it took steps to create a situation where it was highly unlikely they would choose to do so. It arranged to have the Corporation offer Saskatoon two options when submitting a gas agreement: the City would distribute at a profit limited to five percent of its gross revenue or it could allow the Corporation to do so and receive a portion of such revenue, beginning at one percent in the first year and rising to five percent in the fifth, as payment in lieu of taxes. The City raised some objections to limitations being placed on profits but quickly opted for the latter arrangement on condition that service be provided in 1953 and favorable rates be established. It was perhaps also encouraged to do so by the Corporation commiting itself to make gross revenue payments at once even if doing so entailed initial losses on operations.[33]

In subesquent years other cities readily approved agreements similar to that concluded between Saskatoon and the Corporation. Only in the case of Regina did a lengthy dispute erupt, for reasons seemingly largely political. Here certain members of council, while aware that the City might have difficulty financing its own gas system, apparently decided to contest the terms and oppose Government policy in the hope of seeing their parties make gains in the 1956 provincial election.[34] Though the Corporation reduced gas rates during the course of the dispute, one could not say conclusively that it was at all motivated to do so by Regina's opposition. Nor could one firmly conclude, as was charged, that the dispute led to Regina obtaining gas one year later than it otherwise would have.[35] Pressure from towns, on the other hand, did eventually lead to the Corporation granting them a portion of gross revenue on local gas sales as payments in lieu of taxes, though the practice was opposed by certain members of management on the grounds that it would reduce the distance to which gas could be economically transmitted to serve smaller communities.[36]

Upon undertaking the distribution of gas the Government and the Corporation adopted certain other principles in regard to its sale. Because high volume sales were deemed necessary for the extensive system they envisaged building, they decided not to regard gas as a luxury fuel to be priced higher than others on account of its more desirable features. Rather, they determined to attempt to make it the fundamental fuel for the province's urban centres. Retail rates were fixed at a level believed to be high enough to meet all operating costs and provide a moderate surplus to be used in expanding the system.[37] Rates established shortly after the commencement of operations were approximately twenty percent less than for alternative fuels, the difference being considered necessary to obtain the required percentage of conversions. Within limits they also adopted a policy of equalizing rates, similar rates being applied to communities of comparable size. They viewed natural gas as a provincial asset in which all would share equally as far as economically feasible. Since the main transmission lines were justifiable only through the loads provided by the larger communities where distribution costs were also lowest, such centres received the most favorable rates.[38] On the basis of such principles, the Corporation and the Government judged that service could be provided to virtually all communities with a population of 1,000 or more. Those principles would, in the words of C.C.F. members for Regina, provide the greatest good for the greatest number.[39]

As in other instances, David Cass-Beggs played a vital role in formulating important principles governing Saskatchewan utilities. When called upon to advise the Government and the Corporation in the early fifties on establishment of a natural gas system, he discovered that initial planning had been of a type which would lead to the provision of gas to little more than the most lucrative markets as had occurred in most other parts of the continent. He concluded that it would be possible to do much more and drew up general proposals with that in mind. Circumstances, he argued, made it practical, perhaps for the first time anywhere, to plan for the systematic construction of a gas grid to serve an area the size of Saskatchewan. Such planning was possible because of a "large and presumably permanent differential between the cost of natural gas and the cheapest alternative fuel (coal) for domestic heating . . . ."[40] That differential held out the possibility of supplying a large population at a rate which would be



Next victim

GOVT PRESSURE
SASK POWER CORP
GAS MONOPOLY CAVE
SASKATOON
REGINA

Fig. 4. *The Leader* seldom looked favorably on Power Corporation activities. (Courtesy *The Leader-Post*)

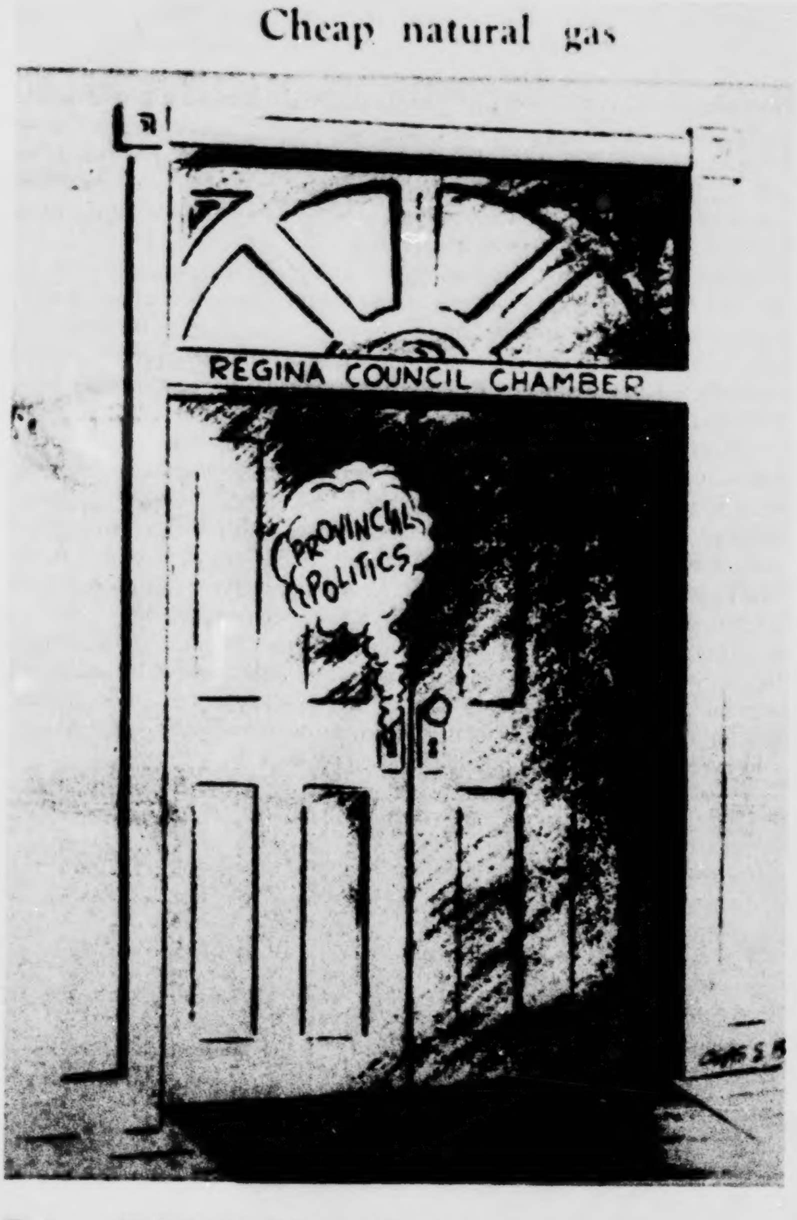

Cheap natural gas
REGINA COUNCIL CHAMBER
PROVINCIAL POLITICS

Fig. 5. The Regina Council was in no hurry to sign a natural gas agreement with the Corporation. (Courtesy *The Leader-Post*)

at least competitive with coal and which would "bring essentially the same benefits to all urban dwellers whether in large cities or in moderate sized towns."[41] The financial key to creating the gas grid which later took shape was the setting of gas rates at a level which would meet two conditions: they would cut existing fuel costs substantially and simultaneously provide sufficient revenues to cover the costs of a fairly extensive system. Calculations judged to err on the safe side demonstrated that such rates could be established and, together with other considerations, convinced the Government to authorize the Corporation to proceed essentially on the lines laid out as gas reserves were discovered.

Although the provincial utility's initial interest in natural gas was sparked by a desire to obtain cheap fuel for the generation of electricity, such considerations soon became secondary. In relation to the total volume of gas used in the province, that burned in power plants declined annually.[42] Upon being appointed general manager of the Corporation in 1955 Cass-Beggs made reference to the subject and stated: "It is cheap . . . but it's not sound conservation to use up gas reserves for power where you could use coal or some other fuel. Natural gas should be used for the most important markets — domestic and commercial."[43] The use of gas in generating stations was largely confined to cases where the fuel would have been wasted or not otherwise economically used, where no other energy source was available, and during summer to improve loads on pipelines without which the lines themselves might have been uneconomic.[44] For the most part, utilization of Saskatchewan gas fell into two main types: domestic, commercial and small industrial uses, and consumption by industries dependent on low cost fuel.[45] During the period the trend was toward greater commercial and industrial sales, probably reflecting the changes taking place in the economic life of the province.[46]

Footnotes to Chapter XII
THE S.P.C. AND NATURAL GAS, 1945-1964

[1] Stanford Research Institute, *A Study of Resources and Industrial Opportunities for the Province of Saskatchewan*, 1959, p. 215, A.S.

[2] T. H. McLeod to H. F. Berry, 13 November, 1946, S.P.C., Power Plants, Gas Turbines; S.P.C. *Annual Report*, 1948, p. 9.

[3] S.P.C., Minutes, 28 April, 1947, 28 January, 1948.

[4] *Ibid.*, 16 June, 1948. Also see *ibid.*, 9 February, 1949.

[5] *Ibid.*, 23 December,1948, 3, 9 February, 5 March, 25 April, 1949, 7 July, 21 August, 8 September, 20 October, 20 November, 15 December, 1950.

[6] S.P.C. *Annual Report*, 1951, p. 7; *The Saskatoon Star Phoenix*, 8 December, 1950.

[7] S.P.C. *Annual Report*, 1951, p. 7; S.P.C., Minutes, 7 July, 1950.

[8] Prior to Mollard's appointment the Corporation was aided by J. K. Swanson, a gas engineer from Vermilion, Alta., employed by the Economic Advisory and Planning Board and the Department of Natural Resources to conduct studies of potential gas developments. S.P.C., Minutes, 19 January, 5 March, 25 April, 1949, 7 July, 1950.

[9] The Gas Machinery Corporation of Hamilton, Ont. had already conducted surveys of six typical Saskatchewan communities in order to provide estimates of the costs of installing gas systems and of gas at the wellhead and delivered to communities for the Economic Advisory and Planning Board. The firm continued for a time serving the Corporation in cooperation with Fish. *Ibid.*, 8 September, 20 October, 1950, 1, 18 February, 1952.

[10] S.P.C. *Annual Report*, 1952, p. 13.

[11] S.P.C., Minutes, 18 April, 1952; S.P.C. *Annual Reports*, 1952, pp. 6, 13, 1953, p. 4. Saskatoon had contacted the Corporation months earlier about gas service. See S.P.C., Minutes, 21 July, 1950.

[12] S.P.C. *Annual Report*, 1954, p. 4.

[13] *Ibid.*, pp. 20, 23; S.P.C., Minutes, 15 January, 1954.

[14] S.P.C. *Annual Report*, 1955, pp. 4, 9, 23, 27; S.P.C. News Release, 3 January, 1956.

[15] S.P.C. *Annual Reports*, 1956, pp. 4, 10-11, 1957, p. 3, 1958, p. 10, 1959, pp. 4, 9.

[16] For statistics on communities and customers see Table 2, p. 302 and for extent of system see map p. 300.

[17] S.P.C. *Annual Reports*, 1959, p. 4, 1960, pp. 4, 11; D. Cass-Beggs to E. N. Davis, 22 April, 1959, in S.P.C. News Releases; S.P.C. News Release, 23 April, 1959; R. Brown to C. M. Fines, 22 February, 1960, Fines Papers, 1. S.P.C. AF 494; D. Cass-Beggs, "Saskatchewan Power Corporation Policy Regarding Natural Gas," 19 December, 1962, p. 2, S.P.C. Library.

[18] The procedure also enabled the Corporation to avoid dealing with an intermediary. S.P.C., Minutes, 9 April, 1951.

[19] S.P.C. *Annual Reports*, 1956, p. 11, 1957, p. 3.

[20] *Ibid.*, 1957, p. 18, 1958, pp. 4-5.

[21] Some Considerations Regarding the Pricing of Natural Gas, undated, Fines Papers, 2. S.P.C. Natural Gas,AF 494, refers to the adverse effect competition of an inter-provincial pipeline might have on local gas prices and ultimately on provincial development: it might lead to a situation where the price offered by Trans-Canada was determined by the selling price in Eastern Canada rather than by production costs in the producing province. With fuel costs in Ontario significantly higher than in Saskatchewan, gas sold there and in Quebec as a luxury fuel might command an enormous, high priced market even though not widely distributed. The effective price in Saskatchewan might therefore be the sale price in Eastern Canada less transportation costs, a price so high that no gas could be used locally for domestic or industrial purposes. For the policy developed and its application see D. Cass-Beggs, "Saskatchewan Power Corporation Policy Regarding Natural Gas," 19 December, 1962, and *Debates and Proceedings*, Legislative Assembly of Saskatchewan, 1963, No. 19, 13 March, 1963, p. 60.

[22] S.P.C. *Annual Reports*, 1961, p. 10, 1964, p. 7.

[23] *Ibid.*, 1957, p. 11. The location of compressor stations is shown on map p. 300.

[24] During the summer of 1964, for example, over 2,000,000,000 cubic feet of gas were placed in storage at Unity and over half that amount withdrawn the following winter.

[25] S.P.C. *Annual Report*, 1962, p. 12; S.P.C. News Release, 23 May, 1962.

[26] The Regina caverns were designed to occupy 30,000,000 cubic feet and be capable of storing over 2,250,000,000 cubic feet of gas under pressure when completed. Three additional caverns were planned for the Prud'homme site. See S.P.C. *Annual Report*, 1963, p. 13. Development was planned to take place in stages with washing operations ceasing each fall in order that existing space could be used for winter storage.

[27] *Ibid.*, 1962, p. 12, 1963, p. 2; Natural Gas Storage by John E. Mollard, undated, S.P.C. Records.

[28] For a discussion of the desirability of avoiding municipal distribution of gas see D. Cass-Beggs, "Report on the Economics of Transmission andDistribution of Natural Gas in the Province of Saskatchewan," June 1952, S.P.C. Library.

[29] *The Leader-Post* (Regina), 1 February, 1956.

[30] Some considerations Regarding the Pricing of Natural Gas, undated, Fines Papers, 2. S.P.C. Natural Gas, AF 494.

[31] The S.P.C. or a separate Crown Corporation.

[32] S.P.C., Minutes, 27 September, 5 October, 1951.

[33] *Ibid.*, 17 October, 19 December, 1952, 8, 16 January, 1953.

[34] One of the strongest critics of the proposed terms was Leslie Sherman, alderman during 1955 and in later years. He was elected First Vice-President of the Regina Liberal Association in 1955. Another critic was alderman Donald MacPherson, Second Vice-President in the same organization. Sherman, along with alderman Alex Jupp, also a critic, were Liberal candidates in the 1956 election. A fourth critic was Mayor L. H. Hammond, reportedly a professed Liberal, who ran as Social Credit candidate in the same election. See *The Leader-Post* (Regina), 7 April, 20, 22 July, 9 December, 1955, 28 February, 15 March, 4 April, 5 June, 3 July, 1956. Aldermen Henry Baker and A. E. Wilson, on the other hand, from the start favored having the Corporation distribute.

[35] *Ibid.*, 16 June, 27 September, 1956. Also see *ibid.*, 3 May, 1956.

[36] Memo to J. A. Darling, 18 February. 1954, Brown Papers, PC 16-5, Town of Sutherland.

[37] It granted rate reductions as soon as the economics of its operations permitted. *The Leader-Post* (Regina), 4 August, 1956.

[38] Some considerations Regarding the Pricing of Natural Gas, undated, Fines Papers, 2. S.P.C. Natural Gas, AF 494. With respect to equalizing gas rates Cass-Beggs stated that the policy was to regard natural gas as a provincial asset, adding: "The fact that gas is adjacent to one town and a considerable distance from another does not of itself give one town a right to an advantage with respect to another." Further, he said, with an integrated grid it would be impossible to say a city was getting its supplies from a central field. See *The Leader-Post* (Regina), 19 January, 1956.

[39] *The Leader-Post* (Regina), 7 February, 1956.

[40] D. Cass-Beggs, "Report on the Economics of Transmission and Distribution of Natural Gas in the Province of Saskatchewan," June 1952, p. 2.

[41] *Ibid.*, p. 4.

[42] See Table 2, p. 302.

[43] Unidentified clipping, 17 March, 1955, in S.P.C., Personnel, General Manager.

[44] "A Submission to the Royal Commission on Canada's Economic Prospects by the Government of Saskatchewan," November 1955, p. 135, Brown Papers.

[45] *Ibid.*, p. 126.

[46] In 1955 sixty percent was used for domestic purposes. See *ibid.*, Appendix to Chapter V, p. ii. Ten years later industrial and commercial customers were accounting for about sixty percent. To promote such a development, the Corporation had, among other things, established special rates for commercial and industrial consumers willing to contract for an 'interruptible' fuel supply. Under such arrangements customers had to maintain alternative heating systems and could be required to revert to them for brief periods in order to keep gas demands within the capacity of supply facilities. See S.P.C. *Annual Report*, 1953, p. 4. Had it not done so it would have used its facilities less economically as a system serving essentially domestic consumers operates at a poor load factor. See D. Cass-Beggs, "Saskatchewan Power Corporation Policy Regarding Natural Gas," 19 December, 1962, p. 4.

Chapter Thirteen

Postscript: The Furlong Years and Afterwards

The defeat of the C.C.F. Government in 1964 came within months of Regina's decision to link its future with that of the Power Corporation. In going into opposition the C.C.F. could look back over its years in office and note with satisfaction the progress made in providing electricity and natural gas to the province. Though it was open to criticism on certain details of the execution of its power programs, those programs had been carried through to virtual completion. The province-wide, integrated electrical system — capable of advantageously developing the province's energy resources to produce power on a large scale at low cost — required only final touches.

In the process of building it, the geographic problem that Saskatchewan's energy sources lay on the periphery of its settled area had been solved. Almost in defiance of economic considerations, electrical service had been provided to people residing in the province's small urban centres and rural districts. Moreover, it was highly reliable service, especially in view of the fact that the Corporation had the lowest customer density for any utility on the continent. A rather unique natural gas system serving almost all of the larger and many of the smaller communities had also been created. John Mollard, in charge of gas developments in the early years and later manager of the gas system until his retirement in 1968, proudly described it as "one of the best . . . in the world."[1] More than that, the age old dream of harnessing the Saskatchewan River had been realized and some of the benefits passed on to citizens by a general rate reduction.

A phase in the life of the Power Corporation was ending. It had become a truly province-wide electrical and natural gas utility. For a brief interval it enjoyed the fruits of its accomplishments; its net income, among other things, reached unprecedented levels. But the period was all too short. By the early 1970s an increasing rate of inflation began to complicate its task of providing Saskatchewan consumers with adequate supplies of power and gas at reasonable prices. The international "energy crisis" which soon followed added to the new set of problems confronting it. For a short time it continued to exploit potential economies and held the line, even granting certain minor reductions in rates.

But that time too ended before the mid-decade. In 1974 it instituted its first general rate increase, raising gas rates from about ten to thirty percent. Meanwhile, it also had to respond to growing popular concern regarding the potential adverse effects of energy production on society and the environment. As a result, the Corporation under W. Ross Thatcher's Liberal administration and even more so under Allen Blakeney's New Democratic government increasingly came face to face with some of the most serious problems ever to beset it.

All things considered, the mid-1960s was probably an opportune moment for those in charge of the Corporation to undertake a careful reassessment of the organization. Policies and practices which must be emphasized by a utility rapidly establishing itself in new areas or providing new services are not necessarily suitable when its main tasks are to increase generating capacity, to acquire additional gas supplies to meet load growth, or to reinforce transmission systems for such purposes as greater reliability. Indeed, it may be desirable that some of them be changed.

That such a re-examination of the Corporation would take place and certain policies be modified was assured by the Liberal victory in 1964. While in opposition, the Liberal party had questioned the expedience or justice of certain Corporation policies and practices. It had, for example, been highly critical of the Corporation's role as sole purchaser of natural gas in the province. Liberals maintained that this arrangement was both unfair to producers and a brake on expansion by the petroleum industry.[2] They also claimed that the Corporation was spending too much money, was thereby placing a strain on the Province's finances, and could be more efficient. Two of the Corporation's most vocal critics in the period immediately preceding the 1964 election were Ross Thatcher, the Liberal leader, and David G. Steuart, Liberal M.L.A. for Prince Albert, who later became Chairman of the Corporation's Board.[3]

While the new Government did not make any lengthy statement upon assuming office, its first act — an act which, by the way, was one of its more controversial — indicated the general direction some of its policies would take. Premier Thatcher appointed H. F. Berry, formerly head of National Light and Power, to investigate the Corporation. Though Thatcher acknowledged that the inquiry was cursory, Berry's report may have played a part in the Government's decision, if it had not already been made, to dispense with the services of David Cass-Beggs. Upon receipt of the report, Thatcher was somewhat complimentary as well as highly critical of the general manager. "This government," he said, "has had no quarrel with Mr. Cass-Beggs' engineering and planning ability. We have not been satisfied, however, with the financing and administration of the Corporation."[4] Just what he meant by the latter was in part fairly clear from an earlier statement. He had indicated that his Government wanted the Corporation to increase its profits, claiming: "superficial evidence would indicate that the poor profit picture is due primarily to unbelievably high administrative costs and business methods which simply would not be tolerated by private enterprise."[5] Responsibility for conditions as the Government described them was placed on Cass-Beggs,[6] who denied the validity of charges leveled against him.[7]

As a further — but perhaps actually more basic — explanation for Cass-Beggs' dismissal, Premier Thatcher asserted that he and the general manager differed "in philosophy and outlook on how a Crown corporation should be run."[8] The Premier indicated that he wanted the Corporation to finance more of its capital expansion through profits. Here was a point where differences could arise. It is questionable if Cass-Beggs would have agreed that such a procedure was really desirable if it could be avoided. He might have regarded it as tending to increase the cost of power and to reduce the possibility of rate reductions.[9] There also probably would have been differences of opinion on other matters.[10] Cass-Beggs, however, did not view potential philosophical differences as grounds for dismissal. He regarded his role as a professional one and believed he could work as well with one government as with another. If and when a situation arose where there were major differences on policies, that would be the time to meet such a situation.[11] Nevertheless, his British Labor party — C.C.F. background no doubt influenced the Government.[12]

It may well be that there was yet another, unexpressed reason for the Government wishing to change general managers. During their many years in opposition, years during which the Corporation had grown into a powerful organization, Liberal leaders may well have come to dislike or distrust it. The Corporation's rise to prominence in provincial affairs and its constant presence in the limelight had resulted in numerous political controversies concerning it. If anyone felt antagonism to the Corporation, his feelings naturally tended to focus on Cass-Beggs. It was understandable, then, for a new government to wish to change top executives. Cass-Beggs himself, upon his appointment as Chairman of the B.C. Hydro and Power Authority in 1972 said: "A publicly owned power utility is an extremely important part of most provincial economies . . . so its chairman must have close links with government, as well as a willingness to interpret and defend the government's economic policies." And in the same speech he asserted: "I do not attempt to be non-political because I believe everybody should have the right to free expression."[13]

So much for the Government's side of the affair. What Cass-Beggs had to say about it was somewhat different. According to him, in the two or three times they met privately, Premier Thatcher's only argument was that the Corporation was spending too much and not making enough profit. The Premier asked for a ten percent reduction in expenditures. Cass-Beggs responded by getting together the heads of divisions and preparing a new budget which he submitted along with an explanation of where cuts had been made and what their effects might be. "It was easy enough to cut out ten percent of a budget by not building this or not building that. You can always do that in any one year, but of course the next year you might have to build double," Cass-Beggs explained. He also presented the Premier with forecasts of profits for the next six to eight years. These showed what he described as "embarrassingly large" profits in the years ahead, provided the former Government's policy of granting rate reductions to keep them down was not followed. Mr. Thatcher's response was that he wanted to be "embarrassed" in that manner. Meanwhile, Cass-Beggs got the impression that the Premier was more annoyed at receiving the new budget than he would have been if he had not received it. Perhaps he hoped that Corporation officials would be unable to make the requested reductions, and they could still have been accused of spending too much.[14]

All in all, statements by the Thatcher Government at the time it took power indicated that it wanted the Corporation to show a greater return on investments, do more self-financing, increase efficiency, reduce staff, and operate more like a private company. Subsequent statements were to elucidate these views. For example, when bringing down the 1966 budget the Premier stated with reference to the Corporation: "Our Government . . . is determined to increase the percentage of equity capital."[15] During the same session the Honorable David Steuart went into further detail. The Corporation would attempt to pay off its debts as they fell due.[16] Its Board of Directors would set targets for profits to be made each year. And those profits could be given to the Government to use as it saw fit.[17]

For a few months after the departure of Cass-Beggs, W. B. Clipsham acted as general manager, as he had for a short period in the 1950s. The Government then appointed David B. Furlong — president of Westspur Pipeline Company and Producers Pipeline Limited and a director of Saskatchewan Government Telephones — to the post. A graduate in natural sciences and a chemical engineer, Furlong had spent much of his life in the petroleum industry, having been employed by Imperial Oil and, before coming to Canada, by the Anglo-Iranian Oil Company in Iran.[18]

In his five years with the Corporation Furlong reached certain conclusions as to how it might be made to function better and operate along the lines desired by the Government. In a number of speeches he maintained that the best way to run any large Crown utility was to apply the same business principles as would be followed in managing a similar privately owned concern. Any business, he stated, deals with three primary resources: money, manpower and material, all three of which must be managed efficiently for overall efficiency. However, management must at all times recognize that the objectives of the elected representatives of the people may change radically from time to time. To serve the public efficiently and yet be able to change direction in accord with government wishes the best procedure, in his view, is to set financial or profit objectives for the organization. Management under public ownership, he asserted, presents difficult and sophisticated types of problems, the biggest of which is that of achieving and maintaining a high degree of efficiency.[19] Another member of top management had this to say on the same subject: "It is only by having a profit and a return on investment target to reach for that any organization can develop the necessary climate and management capability to pare off the fat, increase productivity and move forward."[20]

After familiarizing himself with the Corporation, Furlong concluded that its functioning could be improved by reorganization. As a result, the electrical and gas department were largely separated, each being placed under its own manager: R. R. Keith and John Mollard respectively. The objective was to vest responsibility for each department, together with sufficient authority to carry it out, in a single individual so as to enable the Corporation to operate more efficiently. Furlong was, it seems, of the belief that too much decision making had been done in committees. "Because of the growth of the Corporation and particularly the growth in importance of natural gas," he stated, "the lines of responsibility had become unclear and, in many cases, overlapped."[21] Cass-Beggs, on the other hand, had favored integrating management as much as possible. That Furlong looked upon the two sections of the utility somewhat differently than his predecessor was also evident, for he added: "Although both natural gas and electricity are sources of basic energy, they are very different businesses. If they are to be ready to meet the demands of the province in the most efficient way, they must be treated differently."[22]

Reorganization progressed a step further when a certain amount of decentralization occurred. In 1967 the electrical system was split into five areas each with its own manager, and in 1968 the gas system was divided into northern and southern zones with headquarters in Saskatoon and Regina. The purpose was to place greater authority at the local level and to improve customer services.[23] Early the following year the Corporation also created a wholly-owned subsidiary to acquire, establish and operate electrical utilities in the northern part of the province. Meanwhile, in another step aimed at increasing efficiency and economizing, it gradually reduced its staff by about fifteen percent between 1964 and 1969, notwithstanding assimilation of about 200 Regina employees in 1965.[24] During the same period it also instituted a program aimed at increasing the effectiveness of management, training where deemed advisable being provided at the Corporation's expense. Both management and the Government viewed the changes as proving their worth, resulting in greater efficiency and improved service to customers.[25] And the Blakeney administration when it took over evidently found the new arrangements fully satisfactory, for it continued unaltered the organizational structure worked out by Furlong.

Changes in official policy and their effects were most evident in relation to natural gas. In the fall of 1964 the Government rescinded regulations requiring producers to sell only to the Corporation. The purpose was evidently twofold. Not only did the Government hope that it might create a more competitive market for gas and thereby encourage exploration for petroleum, but it also regarded the change as a means of reducing capital investment by the Corporation. The Honorable A. C. Cameron, Minister of Natural Resources, stated: " . . . the Government believes it is in the best interests of the province to have the private sector of the economy develop gas reserves, construct the gathering system, and market the products."[26] Earlier, it will be recalled, the Corporation had developed certain fields and constructed several gathering systems.

That the change in policy was in part designed to minimize Corporation investments was confirmed somewhat later when a contract for upwards of half a trillion cubic feet of gas was signed with Trans-Canada Pipe Line. The agreement covered a much larger volume of gas than had previously been bought from the company and also called for Trans-Canada to lay a pipeline from Provost, Alberta to the Corporation's Unity field. In announcing the deal Steuart stated that the Corporation could probably have equalled the firm's proposal by buying into Alberta gas fields and piping the fuel to Saskatchewan. "However," he said, "this would have involved an investment by the people of Saskatchewan of more than ten million dollars. At the present time, the . . . Corporation has more important things to do with capital available for investment."[27] In subsequent years, while the Corporation added to its existing gathering systems, private producers provided such works on the Beacon Hill, Bayhurst and other fields.

Probably the most radical change in Government policy — one which produced a good deal of controversy — had to do with two agreements concluded between the Corporation and North Canadian Oils Limited and Canadian Homestead Oils Limited in 1967 and 1968. Under the first arrangement the Corporation transferred to North Canadian 104 sections of its gas leases in the northern part of the Hatton field, having concluded that the company could develop the reserves more cheaply and some years earlier than it would itself. The reserves were close to North Canadian operations and its gathering system and comparatively remote from existing Corporation operations.[28] The agreement provided that all gas would remain dedicated solely to the Corporation and that it would receive in return $459,000 plus other considerations.

The transaction represented a major departure from Corporation policy of developing its own reserves. For that reason and no doubt others, such as the fact that few details were made public, members of the Opposition attacked it vehemently, characterizing it as a prime example of "Liberal resources giveaways." Sporadic criticism continued for some time becoming more concentrated during the legislature's Crown Corporations Committee meetings, where the Opposition gained little added information, and again when the Canadian Homestead deal was announced.[29]

The latter transaction consisted of a farmout of another portion of Corporation reserves in the Hatton field for development by a private company. Under it the Corporation pooled thirty-six and a half sections with thirty-three and a half owned by various companies. The resulting seventy-section block was to be developed immediately by Canadian Homestead and its reserves, estimated at fifty-nine billion cubic feet, made available to the Corporation over a period of years. In announcing the transaction Furlong stated that all risk would fall on the Company, the Corporation having put up only its land and rights. In return it would receive cash royalties during the life of the agreement in relation to the land it held, an amount estimated at $215,000, and would be entitled to purchase all gas produced at a fixed price. He did not disclose what that price would be but claimed that it was better than could be expected had each party developed its own area, and his statement suggested that it would be much like that paid to North Canadian. The deal, he further stated, was part of a policy of making full use of Corporation assets including marginal gas lands which would otherwise not be used for many years.

In making the announcement, Furlong stated that he was doing so in the hope that it would prevent misunderstanding. Perhaps with the same intent, he also disclosed that while the Corporation would consider concluding similar deals in the future, no negotiations were under way for that purpose, his organization holding little additional land worth development. As well, he predicted that the agreement would encourage exploration by the companies involved in the area.[30]

If Furlong or the Government believed the statement would silence the Opposition, they were disappointed. Woodrow Lloyd, its leader, promptly challenged the Government to show evidence that the arrangement held financial advantages for the people of Saskatchewan. It was, he contended, simply "one more deal for a middle man to act between gas we in Saskatchewan own and gas we use in our homes and industries." The company would have to make a profit. "Why then," he asked, "add the cost of this profit to Saskatchewan users and why lose control of our resources?"[31]

In view of the continuing controversy, the Corporation's Board of Directors decided to review both arrangements. Material presented to it showed that in addition to the money previously mentioned the Corporation had obtained under the North Canadian transaction extension of an existing supply agreement in which price was reduced by three-quarters of a cent per thousand cubic feet. The amount of gas to be delivered to the Corporation under the contract was also substantially increased. Had the existing contract remained in effect and the Corporation developed the area (which it would not have done for some time owing to the field's low deliverability), the combined price for gas would have been half a cent higher than the new contract price. Management judged the agreement to have a "modest present worth benefit" of $60,000 to $75,000 without considering the value of a fixed price during a time of rising prices. The arrangement was also considered to have deferred substantial borrowing for many years. Material supplied to the Board had less to say about the Canadian Homestead agreement, except that the company had probably already spent $600,000 in developing the area. The project was in its initial developmental stage, the company having a considerable amount of work yet to do.[32]

While Corporation planning and operations during the Furlong years emphasized financial considerations to a greater extent than previously and management was more strongly profit-oriented than hitherto, it would be inaccurate to say that the new management gave extension of service a low priority in either the gas or the electrical field. Concluding in 1965 that virtually all towns and villages which could be economically served at existing rates had been reached by its gas lines, the Corporation worked out a new scheme for expansion. Essentially, the idea was to relate the cost of serving an area to the rates established for it. Higher than standard rates were applied,[33] and for communities to qualify for service a specified number of residents had to agree to convert to gas. In commenting on the new policy Steuart stated that it was not expected to be "a great profit maker" but rather was "definitely in the area of service." The hope was that the Corporation would break even by the third year and thereafter obtain a modest profit. With a profit being shown rates would be reduced, reaching standard levels in five to ten years. Service under the scheme would be offered to all communities where it was found that gas would be competitive with other fuels.[34]

To test the plan the Corporation supplied gas to five centres in the Rosthern-Duck Lake area in 1966 and by 1969 was able to grant them a rate reduction and commence making gross revenue payments to the three towns in the group. Public acceptance of the scheme quickly led to the drawing up of a three-year, $10,000,000 program designed to supply gas to about 10,000 new customers in about eighty-five communities under similar terms.[35] During the course of carrying it out, the Corporation began substituting plastic for steel pipes in some of its transmission lines as had recently been done elsewhere. The lower cost of such lines, plus the fact that they could be plowed into the ground, facilitated continued expansion well into the Blakeney period. The innovation was also in part responsible for enabling the Corporation to provide gas to a number of farmers and other rural residents as well as certain Indian Reserves and resort areas.

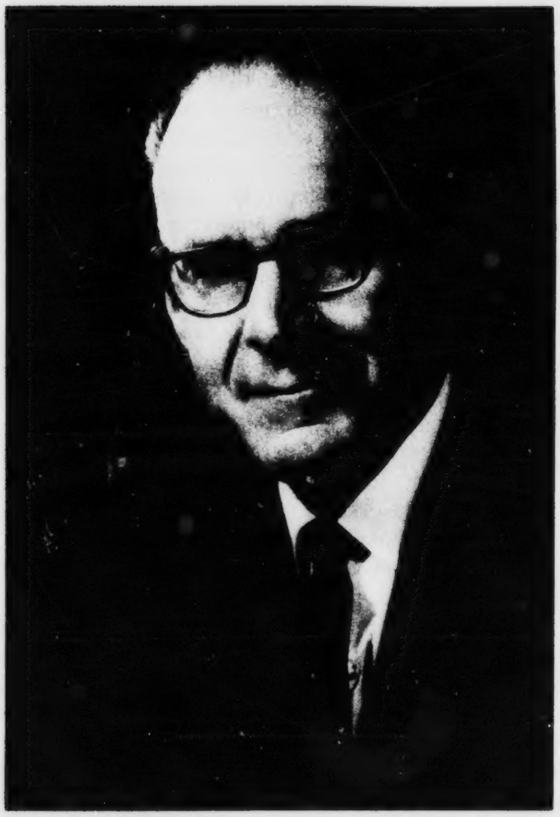
Not until 1973 would the Chairman of the Board announce that the Corporation was approaching a point where it would no longer be reasonable to extend gas service to new communities, even though doing so might be desirable from the point of view of halting the exodus of people from rural areas and stablizing the rural economy. Indications were that future capital investment per customer would be about $2,000, seventy-five percent above the average for the preceding five years. Under such circumstances the cost of gas would exceed that of alternative fuels. Though the Corporation did take gas to a number of new communities the following year (thanks in some cases to construction of a transmission line from a Montana field to the Trans-Canada pipeline), it began experimenting to determine whether convenience fuel could be made available to additional communities by some other means. To that end, it constructed an isolated propane distribution system at Edenwold, a community representative of some 470 Saskatchewan villages and hamlets, to compare the economics of providing service in that manner with further extension of transmission line service. Should the project prove successful, it could put the Corporation in the propane business.[36] If it should not, it would appear that few new communities will receive natural gas, none being added in 1975.

While new customers were thus being connected to the gas system (over sixty percent of Saskatchewan dwellings used gas by 1971), the Corporation's electrical department continued to extend service to marginal areas. In 1962 it began electrifying Indian Reserves; four were supplied that year. Until then only a few of the native people had obtained service as individuals in farm projects. Seven years later, at the end of the program, 3,350 customers on sixty-four reserves received electricity from Corporation lines.[37] Provision of service to reserves at times included the hiring and training of residents to perform certain local functions.

When the reservations program was drawing to a close, the Corporation also began to give increasing attention to the electrical utilities situation in northern areas. In 1968 the Honorable Gordon Grant, Chairman of the Board, announced the undertaking of an inquiry to discover the best way to improve and expand service there at reasonable cost. "We have felt for some time," he stated, "that the northern communities have not been well served and that better attention was needed both to the desires of the settlements already served and those needing electrical service." "I trust and expect that this study will not only identify the difficulties but lead the way in overcoming them."[38] Vince Elmer, area electrical manager for the Prince Albert-Melfort-North Battleford districts, was named to carry it out.

Some months later the Corporation received the report, which is reminiscent of the one Cass-Beggs produced in 1947 concerning rural electrification. It read in part: "At present, only the schools and stores in most communities have electrical service with each serving their [*sic*] own needs. No effort has been made to pool their power plants or to supply power to other residents of the community. A coordinated effort should be made by all government agencies and commercial establishments to centralize the production of power into one plant and distribute electricity to the residents of the communities."[39]

Elmer went on to state that there were three power cooperatives operating in the area, using facilities rented from the Corporation. They were, however, operating in a less than satisfactory manner. Plants, for



THE HONORABLE GORDON B. GRANT, MINISTER IN CHARGE OF THE S.P.C., 1967-1970. (S.P.C. Photo Collection)

example, had not been properly cared for. He consequently urged that the organizations be phased out, the Corporation itself taking over responsibility for providing service and establishing a special supervisory board to oversee northern operations.[40] He also concluded that at least ten communities in the north would qualify for service and recommended that in addition to acquiring the cooperatives the Corporation commence serving three of these ten communities in 1969.[41]

Early the following year Grant announced the creation of North-Sask. Electric Limited, a subsidiary of the Corporation, to carry out the task. This approach was in line with the policy of decentralization. The organization would have its headquarters at La Ronge, certain resident officials and a Board of Directors comprised of representatives of the Provincial and Federal Governments, the Corporation and northern residents and businesses. It would take over the Corporation's assets in the area, negotiate to acquire the power cooperatives and in general proceed to improve service. In making the announcement Grant stated: "The government believes that the problems of the north should not, and, in fact, cannot be settled in terms which are applicable to the south."[42]

In commenting upon the announcement Furlong pointed out that the new venture was not expected to be a profitable one for a number of years. It would start with an initial investment of about $250,000 and could be expected to lose over $50,000 the first year. The Government, he added, could have had the Corporation provide such service and bury the losses. However, it had concluded that it would be preferable to serve the area under an arrangement which would show clearly what the provision of service cost and which would lead to the creation of a management team in the north to deal with northern problems.[43]

During its first year and one-half or so of operations, North-Sask. carried out most of Elmer's recommendations. It acquired two cooperatives and erected systems in a number of communities where none existed. As a result, by the end of 1971 it was serving over 1,300 customers in thirteen communities, extending as far north as Fond du Lac; it had assets close to $1,000,000 and accumulated losses of just over $200,000. Part of the loss could be attributed to inexperience of employees hired from among northern residents, a cost management felt it must be prepared to bear as a necessary expense in expanding into the area.

Where its energy supplies were concerned, North-Sask. obtained some from Corporation lines at La Ronge and from the Churchill River Power Company at Island Falls. It generated the remainder in isolated diesel plants as had been done in the south in earlier years. As a consequence, rates were higher than in areas served directly by the Power Corporation.[44]

The main immediate effect of the election to office of the New Democrats in 1971 was a major rate reduction for North-Sask. customers. In line with a promise made during the campaign, residential and commercial rates were reduced to southern levels. The only remaining difference was a "ballooning" feature in schedules applicable to communities served by isolated diesel plants, the purpose of which was to discourage excessive consumption because of limited production facilities. The cuts, it was said, would range from forty to sixty-five percent and would result in a savings by northern consumers of about $250,000 in the year following their institution. The resulting loss would, of course, have to be made up by a subsidy from the Corporation to North-Sask., a loss the former was quite prepared to absorb. While the reduction was under consideration, the Honorable John Messer, minister in charge, asserted that the Corporation had in recent years been too profit-oriented and would henceforth as in earlier times play a greater supportive role in the economic and social activities of the province.[45]

Following the rate reduction North-Sask. operations remained relatively unchanged for about two years. During this interval it provided service to four new communities. However, in 1974—in line with the Government's desire to play a wider role in the north—North-Sask. became considerably more active. It then acquired the one remaining power cooperative, purchased the Uranium City distribution system from the Alberta Power Company (formerly Canadian Utilities Limited) and reduced rates to southern levels, and built electrical facilities in two other centres. To close three diesel plants, it also began construction of transmission lines from Corporation facilities at Buffalo Narrows to La Loche and Turnor Lake and completed plans for another from Island Falls to Pelican Narrows. At the same time, it carried out a reorganization designed to promote improved service.[46]

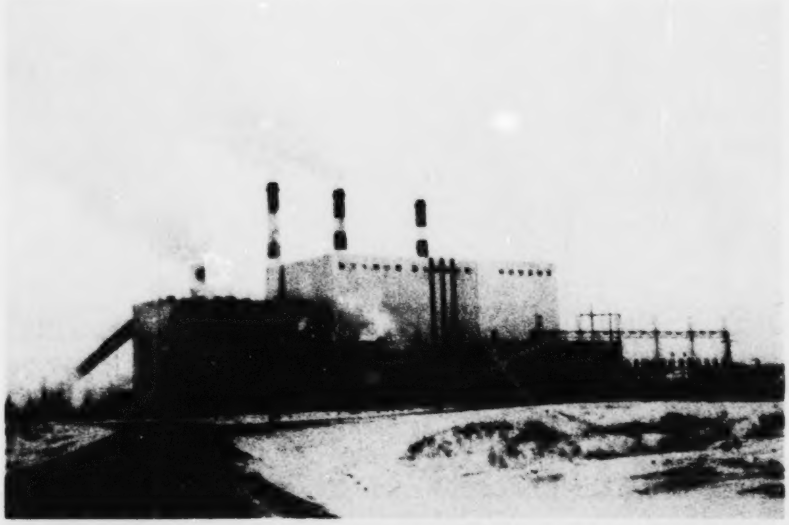
All in all, the Furlong years saw the Corporation's electrical department increasingly active in expanding into the last frontiers open to it, Indian Reserves in the province's settled areas and Saskatchewan north of the line of settlement, a process which is still continuing in 1975.

As was to be expected, changes in government had little or no noticeable effect on certain types of Corporation activity. Expansion of facilities to meet load growth, for example, continued without interruption. Work on the South Saskatchewan River dam proceeded as before, finally reaching completion in 1967. Late the following year the Corporation brought into service its new 187,500 kilowatt Coteau Creek generating station. It had been hoped to have two of its three units functioning in 1967, but soil movements delayed somewhat construction of the dam. During the course of building the dam, as in the case of Squaw Rapids, penstocks were provided for the addition of two more generators when required by peak load demands. In its first full year of operations the new station contributed well over a billion kilowatt-hours to the provincial grid.[47] The dam and lake have since been named in honor of the late James G. Gardiner and former Prime Minister John G. Diefenbaker.

While the South Saskatchewan project was progressing, the Corporation as in earlier years continually examined alternative sources of power for future development. The result was a decision in 1965 to add two 150,000 kilowatt units to the Boundary Dam plant, one to commence operations in 1969 and the other in 1970. The following year it decided to install a 100,000 kilowatt unit in the Queen Elizabeth, its boilers being designed to burn either bunker oil or natural gas. The decision was made partly on the basis of the plant's location. It was situated in the heart of the province's potash producing area where energy demands were rising rapidly. Moreover, expansion there was desirable from the point of view of regulating voltage and load fluctuations: addition of the unit would result in a better balance of generating facilities in relation to load on the provincial grid. Not long afterwards the Corporation decided to add yet another 150,000 kilowatt unit at Boundary Dam for service in 1973. And soon after the government changed hands, an additional 300,000 kilowatt unit was scheduled for use in 1977, an addition which would make Boundary Dam by far the largest lignite fired generating station in Canada. Meanwhile, to keep up with rising peak load demands, it also installed equipment in the unused penstocks at Squaw Rapids and completed a new 45,000 kilowatt natural gas-fueled station at Success to meet the need for additional capacity in the southwest.[48]

In making these decisions Corporation officials rejected various options open to them: development of the Nipawin site, installation of additional capacity at Coteau Creek, purchase of power from Manitoba resulting from development of the Nelson River, and establishment of an interconnection with Canadian Utilities Limited in Alberta to import power from its Battle River Station. For a variety of reasons, but mainly on the basis of cost, the Corporation found expansion of its own facilities most advantageous. Rising interest rates also tended to insure that it would generally choose to expand its thermal rather than hydro facilities.[49]

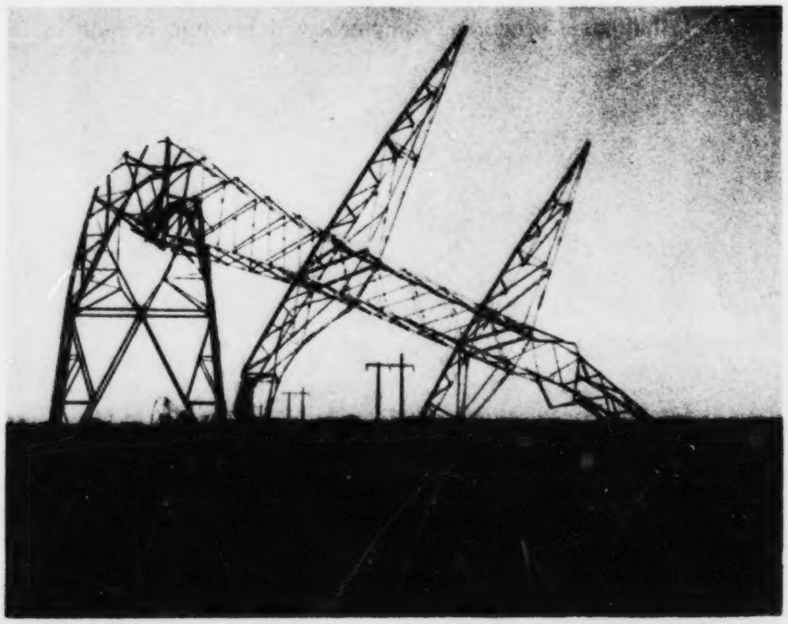
In considering alternatives Corporation management also enjoyed a degree of freedom that they had previously not possessed. They no longer had to speculate on what the independent utilities might do, all such facilities except for a few distribution systems having been absorbed into their system. Meanwhile, those acquisitions together with continuing load growth were tending to increase the options open to them and would enable them to install larger generating equipment with resulting economies.



BOUNDARY DAM GENERATING STATION, 1972. (S.P.C. Photo Collection)

Cooperation with Manitoba Hydro also continued and increased with significant benefits to both parties. Between 1966 and 1969 the Corporation acquired between one and nine percent of its annual electrical requirements from Manitoba. It imported a considerable portion under the economy power exchange agreement, resulting in savings ranging from $39,000 in 1969 to $251,000 in 1966. It brought in a substantial amount of surplus hydro energy, some of which originated in Ontario. And it purchased additional quantities under other arrangements. For example, from late 1967 to late 1968 Manitoba made 40,000 kilowatts of capacity available to the Corporation at all times, and in 1969 agreed to supply Saskatchewan with 100,000 kilowatts for a one-year period beginning in November 1972. The Corporation meanwhile reciprocated by making economy power and short-term surplus capacity available to Manitoba Hydro, 50,000 kilowatts in 1969 and 100,000 kilowatts in 1970. The two utilities also assisted each other if possible when emergencies arose, a total of ten times in 1968 alone.[50]

To facilitate the expanding exchanges between their systems, the two utilities enlarged their interconnection by increasing the voltage of the Boundary Dam-Brandon line from 138,000 to 230,000 volts in 1969. As a result, exchange capacity rose from 60,000 to 135,000 kilowatts. And in



Transmission line structures on Saskatoon-North Battleford line toppled by high winds following icing of wires, 29 April, 1971. (S.P.C. Photo Collection)

1970 they established an entirely new 230,000 volt interconnection between Yorkton and Dauphin approximately doubling their exchange capacity. The primary purpose of the new interchange, so far as the Corporation was concerned, was to be able to take advantage of surplus power from Manitoba's Nelson River developments. In addition, the line enabled it to reduce its transmission line losses and reinforce supply facilities in the Yorkton area.[51]

No doubt partly influenced by the benefits resulting from cooperation with Manitoba Hydro, but also with a view to obtaining its future energy requirements as economically as possible, the Corporation returned in the late 1960s to the idea of establishing an interconnection with Alberta. Early in 1968 Corporation and Canadian Utilities officials examined the possibility of the latter installing a 150,000 kilowatt unit in their Battle River Station for the sole use of Saskatchewan. The scheme would have resulted in construction of a 230,000 volt line from Alberta to North Battleford. However, upon study the Corporation concluded that the scheme was less attractive than purchase of power from Manitoba Hydro or installation of a similar sized unit at Boundary Dam.

A little over a year later the two utilities commenced examining the integrated operation of their systems, but again nothing concrete resulted. During the course of a preliminary study it was announced that Alberta utilities would be interconnected with B.C. Hydro, which would result in Canadian Utilities being linked with the Western U.S. Power Pool. The Corporation's system was already tied to the Mid-Western U.S. Pool through Manitoba. Interconnection with Canadian Utilities would therefore result in it being joined to two large U.S. pools causing Corporation officials to call a halt to the study on the ground that the effects of such a development "would greatly reduce the benefits and reliability of" a tie with Alberta. To put the matter another way, a 230,000 volt, alternating current tie was not considered operationally practical. Further discussions took place at a later date, but a revised Canadian Utilities' proposal to supply power to the Corporation again appeared less attractive than expansion at Boundary Dam.[52]

Before turning to developments for the most part involving the years of the Blakeney administration, a few words—though they can by no means be the final ones—should be said about the extent to which the Thatcher Government's objectives were attained by Furlong and his associates during his period as general manager and about his contributions to the Corporation. He was charged with a number of tasks which may be outlined thus: increasing the Corporation's net profits, its return on investment, its ability to finance its own expansion, its ratio of equity to debt capital, and its efficiency, as well as reducing staff and its demands on the Government for funds. In 1969, about six months before resigning, Furlong expressed satisfaction with what had been achieved, though he admitted that advances were still to be made. In summing up certain developments which had occurred between 1963 and 1969, he claimed that the Corporation's record for those years would be difficult to match anywhere in Canada. Net profits had risen 300 percent, funds available from operations for Corporation outlays by 200 percent, and investments by forty percent. During the interval, the utility's electrical business had more than doubled and its gas business almost doubled. In addition, staff had been cut, standards of service improved and electrical customers granted a major rate reduction.[53]

In citing these developments, Furlong used certain data for a time before he became general manager. Corporation records for his years in office basically bear out what he said. Between 1965 and 1970, net profits rose from about eight and one-half to twenty and three-quarters millions of dollars and funds available from operations by over sixty percent. Net long-term debt declined by about $6,000,000 despite a rise of about $180,000,000 in the value of assets at cost. The equity percentage of Corporation capital almost doubled to 19.5 as did the return on the value of net plant in service, which reached 3.7.[54] Among the results was a reduction in Corporation dependence on the Government for funds, something the latter was quite determined should be brought about and which was achieved in other ways too. The change in policy relating to the development of gas fields, for example, meant that private investors rather than the Corporation would build certain natural gas facilities. Whenever this occurred, Corporation investments and hence its borrowings were cut back. Meanwhile, facilities provided by private capital made quantities of gas available to the Corporation, and its sale increased revenues and hence profits. Under such circumstances, net return on investment also naturally tended to rise.

Other factors also contributed to the changing financial position of the Corporation. The sale of substantial quantities of natural gas to Trans-Canada was of considerable significance. The conclusion of interruptible or peak shaving contracts with certain large electrical consumers brought added revenue without increasing expenditures on generating facilities.[55] The reduction in staff was another factor. So also, though probably of less importance, was the sale or farmout of gas leases. And even such things as the change in policy relating to expansion of the gas system was not without effect. By covering initial losses in part by higher rates rather than completely by profits earned elsewhere, the surplus position of the Corporation was at least protected.

The foregoing would indicate that Furlong made respectable progress toward the goals outlined for him by the Government. The latter, on its part, appeared eminently satisfied with the results.[56] Meanwhile, no one seems to have seriously questioned claims that his efforts did promote increasing efficiency, even though some criticized the way the Corporation was run.[57] His emphasis on profits, one gathers, also made members of the Corporation more cost-conscientious, a development which could scarcely fail to operate to its and its customers' benefit in a time of rapid inflation. However, despite all that has been said, certain questions still must be raised. Was the changed financial picture to be attributed to Mr. Furlong alone or both to him and to the circumstances of his time as general manager? And were some of the Corporation's financial gains merely of a short-term nature which might vanish or indeed become losses in the future?

In answer to the first question, one would have to say that circumstances were not without significance. For example, expansion of generating capacity during Furlong's term as general manager was accomplished in several instances at relatively low cost. When peaking capacity was required in the latter part of the 1960s, a substantial amount could be obtained by installation of units seven and eight at Squaw Rapids. By adding those units, the Corporation gained 80,000 kilowatts at a cost of $4,350,000. It had had to lay out a vastly greater sum, about $60,000,000, to obtain the first 201,000 kilowatts there.[58] The Corporation reaped similar, though not proportionally as large benefits, when it added the two 150,000 kilowatt, base load units at Boundary Dam soon afterwards. Certain facilities which units three and four would use had been established for units one and two. Consequently, it spent only $44,170,000 to install 300,000 kilowatts, whereas it had disbursed $27,302,000 to provide the first 132,000 kilowatts.[59] Throughout Furlong's whole term as general manager, installation of new generating capacity did not result in Corporation generating costs taking an upward turn as was occurring in some other parts of the country. Under such circumstances, annual increases in consumption averaging over ten percent combined with an absence of rate reduction meant that profits on electrical operations naturally tended to rise.

In answer to the second question one would have to single out the sale of gas leases to North Canadian. When the contract with the company for delivery of gas from those leases becomes subject to termination in 1988, there could be a significant amount of gas left in the ground. If recoverable reserves still remain, price will have to be renegotiated. If prices continue to escalate as in the early 1970s, the new price could make the $459,000 cash, interest thereon, and the existing contract's "worth benefit" appear insignificant. On the other hand, if the contract runs its course and the field is largely depleted during its lifetime, the Corporation could be ahead the above amounts. Whatever the outcome may be, there is one other thing which should be taken into consideration in reaching a final judgment. The 1967 agreement eventually led to a further one whereby North Canadian committed itself to develop gas reserves in the Milk River formation (in the Hatton field) for delivery to the Corporation, and gas from those reserves is flowing into Corporation lines. The value of that commitment in terms of assured sources of supply—and estimates of its value will probably vary —should also be weighed in the balance.

In summing up developments of the Furlong years, one should also mention a Provincial Government practice which then arose. In 1967 the Provincial Treasurer collected what was described as the first dividend in history paid by the Corporation, a transfer of funds which continued for a number of years under both Liberal and New Democratic governments and which resulted in the enrichment of provincial coffers by over $40,000,000. A number of the arguments against the practice which had applied in the 1950s were still applicable, though in some cases to a decreasing extent. And both parties while in opposition—the N.D.P. until 1971 and the Liberals thereafter—criticized it, but it did not fall into disuse until 1973 owing to what the then minister in charge, the Honorable Kim Thorson, described as the bleak financial future facing the Corporation.[60]

Furlong resigned as general manager in May 1970 to move to Ottawa where he became managing director of the Canadian Petroleum Association. The Government immediately named R. Richard Keith acting general manager, an appointment which it made permanent in November. The choice was an excellent one; it recognized his valuable contributions to the Corporation and enabled it to utilize fully the store of knowledge he possessed concerning all its aspects.

Keith was an employee of long standing and the first man to rise through the ranks to the Corporation's top post. He was born at Rouleau, Saskatchewan, graduated from the University at Saskatoon as a mechanical engineer, and immediately joined the Power Commission. He worked in various capacities in Saskatoon for ten years, attaining the position of assistant plant superintendent in 1946. A few months later he moved to North Battleford as plant and distribution superintendent and the following year assumed a similar post at Prince Albert. In 1952 he was called to Regina to serve as assistant to A. L. Cole, power production superintendent. The intent was that he take over as superintendent when Cole retired. However, Cole died within a few days while on business in Eastern Canada. As a consequence, Keith had almost at once to assume responsibility for the design, construction and operation of all power production facilities. In subsequent years he continued to mount steadily up the chain of command, becoming assistant general manager in charge of gas and electrical operations in 1956, manager of the electrical system during the 1965 reorganization, assistant general manager (for the Corporation as a whole) in 1967 and deputy general manager in 1969.[61]

Not many months after Keith's appointment, the government changed hands. Apparently he was quite acceptable to the new administration. If his selection had any effect on the transfer of power from one party to another, it would probably have been to ease that transfer. Be that as it may, the transition for the Corporation (perhaps also facilitated by Furlong's establishment and publication of objectives for the utility) was a smooth one.

When the new provincial administration assumed office in 1971, the

Corporation was already taking steps to ensure that it would be able to meet demands for electricity in the late 1970s. Periodically over the years it had been acquiring additional coal lands in the vicinity of Boundary Dam and some months earlier had launched what would become an extensive survey of lignite deposits in southern Saskatchewan.

It had many reasons for launching this survey. It wanted to ensure adequate reserves for further expansion at Boundary Dam. It wished to locate other sites with adequate coal and water for one or more 1,000,000 kilowatt stations. And it hoped to strengthen its bargaining position with coal suppliers.[62] As a result, by late 1970 it had identified certain southern rivers and lakes as potential sources of water for cooling and other purposes, had acquired exploration permits on about 600 sections of land in the Willowbunch-Wood Mountain and Shaunavon areas, and has assured itself of sufficient coal for a major extension at Estevan.

That done, the Corporation allocated funds for exploration around Willowbunch and Shaunavon to establish the presence of substantial recoverable reserves. By 1974 the program singled out a site on the Poplar River near the community of Coronach as the most desirable location for a new lignite fired station which might be constructed after Boundary Dam had reached its ultimate capacity. Lignite and water supplies indicated that a station of at least 1,200,000 kilowatts could be erected there.[63]

Where hydroelectric resources were concerned, the Corporation retained the Montreal Engineering Company, a firm with considerable experience in establishing small, northern hydro plants, to do preliminary design work for a generating station at Elizabeth Falls near Fond du Lac. The Corporation believed that uranium mining in the north might result in substantial growth in electrical requirements. As well, it brought its studies of sites on the Saskatchewan up to date and had consultants examine the Churchill River with a view to its development. The latter inquiry led to identification of sites at Iskwatam and Pita where it was judged 335,000 kilowatts of base load capacity capable of generating 1,500,000,000 kilowatt-hours annually could be installed at an approximate cost of $100,000,000. However, the Corporation believed, other alternatives open to it were better than development of the Churchill.[64]

On the basis of such studies and the results of further lignite exploration in the Estevan area, the Honorable Kim Thorson announced early in 1973 that the Corporation would build the final extension to its Boundary Dam plant. It would install a 300,000 kilowatt unit—twice the size of any it had hitherto acquired—for service in 1977. The addition would raise the plant's capacity to 882,000 kilowatts; it would by itself be able to generate about 2,000,000,000 kilowatt-hours annually, and it would raise the Corporation's lignite requirements in the Estevan area to about 5,000,000 tons a year. Thorson also simultaneously stated that the Corporation would erect a new natural gas-fueled station near Landis for peaking purposes and to increase security of supply in the North Battleford area.

The new plant would have two 50,000 kilowatt gas turbines, one coming into service in 1975 and the other a year later, and its construction would involve creation of a natural gas storage cavern. However, the Landis decision was later modified, the ultimate capacity of the station being reduced to 70,000 kilowatts.[65] Events in the natural gas field, for example rapidly rising prices, were a cause.

When recommending the foregoing projects, the Corporation judged that it could, on the basis of a six percent annual increase in load, meet provincial electrical requirements through the winter of 1979-80. But within a year it approached the Government for authorization to proceed as quickly as possible with construction of the first stage (300,000 kilowatts) for service in 1979 of what will be known as the Poplar River Power Station. Corporation officials had come to view their estimates of load growth as minimal and establishment of a generating station near Coronach as the only potential project which could be completed in time to meet future demands. Increasing costs of oil and gas could result in added usage of electricity as consumers sought cheaper alternatives. Public concern about the environment and the need to conserve natural gas as well as lengthening delivery time on new equipment, rising costs and potential labor shortages also made it appear advisable to proceed with planning and design work earlier than had been necessary when previous projects were undertaken.[66] Early in 1975 the Government gave its consent.

Events leading up to the Poplar River decision are of more interest than most Corporation decisions on expansion of generating capacity. Among other things, the impact of the project on the area received substantially more consideration than earlier undertakings had. An element of public participation also was injected into the decision-making process, setting precedents for the future and reducing the Corporation's role.

For several years a trend toward greater concern about the impact of such developments on the environment had been evolving. In 1971 the Thatcher administration undertook to have the Corporation spend $100,000 on removing floating logs from the Squaw Rapids reservoir and disposing of them together with debris along sections of its banks. This led to further expenditures in subsequent years by both the Corporation and the Department of Natural Resources to clean up the lake and to develop beaches for recreational purposes.[67]

At the same time the Corporation's Board earmarked $30,000 for a pilot project to reclaim strip mined areas at Estevan. It also included a vague reclamation clause in a new coal supply contract with Manitoba and Saskatchewan Coal. Meanwhile, the latter firm, the Battle River Coal Company and certain Bienfait groups began or continued to take steps to rehabilitate limited areas; and the Department of Natural Resources devoted funds to creation of a resort at Boundary Dam reservoir.[68] Though not a great deal has been accomplished toward removing the scars inflicted by forty-five years of strip mining, the Corporation and others have become increasingly knowledgeable as to how an element of beauty can be reintroduced into the area and how it may be improved for recreational purposes and as a habitat for wildlife.[69]

Election to office of the Blakeney Government was followed by creation of a Department of the Environment and passage of environmental protection legislation. This brought an added element into Corporation expansion. When Thorson announced the final extension of Boundary Dam and the new Landis station, he stated that efforts to reclaim mined areas would be intensified. Environment Minister Neil Byers also said that his department would examine both projects to see that they met environmental protection criteria. Among other things, checks would be made to see that the Landis plant did not create noise problems and studies would be conducted to determine if more emission control equipment was needed to curtail pollution at Boundary Dam.[70] However, statements by both ministers implied that to some extent studies concerning the effects of the projects would be made after the projects themselves had been approved. Moreover, neither minister indicated that any thought had been given to holding public hearings concerning the projects.

A different procedure was followed subsequently in making similar decisions. As Corporation studies for generating capacity beyond that to be provided at Boundary Dam and Landis progressed, environmental matters came more and more to the fore. Its suggestion that Elizabeth Falls might be developed and the idea of harnessing the Churchill came under fire. Meanwhile, and probably partly as a result, the scope of inquiries broadened. In the case of the Churchill they came to include not only examination of the economic and environmental but also of the sociological impact which the project might have and to involve a multitude of government agencies as well as private parties. A task force set up by the Saskatchewan, Manitoba and Federal Government drew up a set of guide lines for what in early 1973 became a wide-ranging, $2,500,000, two-year inquiry into how the eastern reaches of the river basin might best be used. The Churchill River Study, as it came to be known, provided for public participation and funds were allocated for that purpose. One result of this broadening of the study was to make the Power Corporation a subordinate participant, whose primary task was to provide feasibility and cost data on potential hydroelectric developments. It was not even named a member of the study group.[71]

During the course of the inquiry, which has not been completed (as of mid-July 1975), the Government frequently has felt called upon to state in response to accusations to the contrary that no firm decision has been made nor will be made to develop the Churchill until all studies and public discussions have been completed. At one point Premier Blakeney said: "For my own part, I am not convinced that the benefits from damming the Churchill will counter-balance the possible harmful effects on the environment." The study is not "a public relations exercise designed to persuade the public to go along with a development decision that has already been made." Development of the north, he added, has high priority with the Government, but quality of the environment will not be sacrificed to obtain it.[72] Among the more important reasons for the Government adopting such an approach was one expressed by Environment Minister Byers: the Government wished to avoid the types of protest which had arisen following decisions to proceed with hydroelectric developments in the South Indian Lake area of Manitoba and the James Bay region of Quebec.[73]

As the study progressed, the Corporation of course weighed development of the Churchill against adoption of other alternatives. And to informed observers it was fairly apparent in April 1974 that if the Corporation was coming to any decision concerning the Churchill, it was against using it as the site for its next major generating station. That month the Corporation announced purchase at a cost of about $20,000,000 of two ninety-yard draglines, the first to be ready for operation in 1978. Just what would be done with them was not made clear. Corporation spokesmen said little except that they wanted to be sure strip mining equipment was available when needed.[74] Some months later the Corporation also purchased a ten-yard dragline to strip overburden from reserves required for the 300,000 kilowatt unit being installed at Boundary Dam. Meanwhile, during a trip to Estevan, Thorson spoke of the need to expand capacity to avert a potential power shortage during the winter of 1979-80. In doing so, he pointed out a drawback of hydro generation: the dependence on river flow. The indications were increasingly obvious that the Churchill would not be developed in the immediate future and were confirmed in September when the new Poplar River Station was announced.[75]

In making public the decision Thorson stated that the Corporation and Government had hoped to await completion of the Churchill study before deciding on any further expansion of capacity but for reasons already indicated had concluded it would be inadvisable to do so. He also stated that every effort would "be made to minimize the impact of the . . . project on the natural environment," and that public hearings would precede a final decision by the Government to authorize the Corporation to proceed.[76] Such hearings took place at Coronach about two months later, precedents set by the Churchill River study thus being followed at least to some extent.

In 1971 as in 1964, the most noticeable effect on the Corporation of a change in Government had to do with its natural gas operations. However, this time the change was probably as much apparent as real, marking more a speeding up of certain developments than a break in policies.

By the time the N.D.P. took office there were clear indications that the price of natural gas would rise. Trans-Canada Pipe Line had applied to the National Energy Board for permission to increase the prices it charged for gas in areas east of Alberta. Some months later events in Alberta suggested that the well head prices of gas produced there would also go up. Meanwhile, studies of consumption in future years and other data showed that the Corporation would require additional sources of supply by 1980.[77] To assure Saskatchewan consumers of adequate gas supplies and to minimize the effect of rising prices, the Corporation decided to pursue a number of related courses of action. It would continue an intervention before the National Energy Board in connection with the Trans-Canada request. It would arrange acquisition of Trans-Canada's Provost-Unity pipeline. It would also become increasingly active in acquiring gas rights and by itself or in joint ventures with other firms would commence exploration for gas in Alberta and Saskatchewan.

The Trans-Canada intervention took place over a number of years in reaction to a request submitted by Trans-Canada to the National Energy Board in August 1969 for approval of increases in rates and transportation charges. In August 1971 the Board handed down its first ruling: Trans-Canada would be allowed an overall increase in revenue of 9.5 percent. The decision meant that prices paid the company by the Corporation for gas would rise, but just how much the increase would be was uncertain. The next step was for the Board to rule on how the increase would be apportioned among Trans-Canada customers. That ruling came in May 1973 and resulted in the Corporation having to pay between one and two cents more per thousand cubic feet for Trans-Canada gas.[78]

During both stages of the hearings the Corporation appeared and filed briefs concerning the company's proposals. The purpose was to prevent what Corporation officials regarded as excessive increases in revenue to Trans-Canada and, after the first ruling had been handed down, to prevent increased costs associated with transporting gas to Eastern Canada and other markets from being passed on to Saskatchewan consumers. They took the position that new rates should be based on the costs incurred to serve each Trans-Canada customer, the Corporation paying less because of its proximity to sources of supply than purchasers in provinces further east.[79] The final result was a compromise under which both the Corporation and the Government believed the former would continue paying rates somewhat higher than justified by the cost of Trans-Canada's prairie facilities.[80]

At a later date the National Energy Board allowed Trans-Canada further increases. The company was permitted to raise the prices of gas in Saskatchewan, Manitoba, Ontario and Quebec to cover increased prices paid to Alberta producers.[81]

By the time the first National Energy Board decision had been made and it had become clear that gas prices would rise, the Corporation was taking steps designed to reduce its dependence on Trans-Canada and on Alberta producers in order to cushion the effect of price increases on its customers. During the course of the hearings Trans-Canada indicated that it was prepared to sell its Provost-Unity line to the Corporation. The latter purchased it, establishing a new subsidiary, Many Islands Pipe Lines (Canada) Limited to operate it. Purchase had the effect of cancelling rate increases about to be granted to the company since they would not be applicable to gas moved through a line owned by the Corporation. The resultant savings were substantial. Purchase also held other potential benefits. It increased Corporation flexibility in taking additional gas it might acquire by discovery or contract in Alberta.[82]

Even before the Unity line acquisition was completed, the Corporation was deeply involved in other activities to increase its gas reserves, reduce its dependence on other parties, and thus assure itself of future supplies at as reasonable prices as possible. For some time it had been acquiring gas reserves, and in December 1971 it undertook jointly with Bow Valley Industries to drill two wells in the vicinity of Kamsack to test for gas. The Honorable John Messer described the venture as part of a program to stabilize gas costs in a period when the price of new supplies was rising very rapidly. Only one well was sunk before the rig moved elsewhere. However, during 1972 such activity increased. By the end of that year the Corporation had spent $1,690,000 to acquire additional gas rights and upon exploration; and, according to the minister in charge, it had fared very well in the program. One of its successes occurred at Cypress Lake, Saskatchewan, where the drilling of twelve wells led to five gas producers and a well which might produce both gas and oil.[83]

During 1973 and 1974 Corporation expenditures on the program totalled over $22,000,000, about half of which was spent in Alberta and the remainder in Saskatchewan. In 1974 alone, by itself or in partnership, it drilled 130 wells. By the end of the year, it had confirmed new reserves which it owned outright of 380,000,000,000 cubic feet, with a value far in excess of the amount spent to acquire them.[84] Exploration also had established the existence of 420,000,000,000 cubic feet which it could purchase.[85] Together those reserves represented a seven-year supply of gas at the 1974 level of consumption. Needless to say, the Corporation was encouraged by the results.

Another approach which received brief mention as a means of safeguarding for Saskatchewan consumers future supplies of gas at minimum prices was to import from Alberta rather than to open up known reserves in Saskatchewan. It was discussed with respect to Milk River reserves, believed by some to contain about a trillion cubic feet and to equal all proven reserves in Saskatchewan. The presence of the field had been known for some time but it had not been tapped because of its low deliverability, which would result in relatively high production costs. Early in 1974, after rising prices had made development economically feasible, Government spokesmen expressed opposition to exploitation of the field for export since the province eventually would need the gas. The Government was also said to be considering leaving the reserves in the ground as long as it could buy gas outside the province at reasonable prices. However, the approach never became government policy.[86] In fact, before the end of the year development of the reserves was under way, owing in part to substantial increases in the cost of Alberta gas. Tapping the field would help keep down local gas prices.[87]

Thanks to the degree of control the Corporation had over its gas supplies and a willingness on the part of the Government to see Corporation profits decline before rates were increased, the Corporation was able to hold the line on rates until the latter part of 1973. It then began making rate adjustments whereby large users had to pay ten to eighteen percent more. It also decided to phase out many of its small interruptible contracts over a two-year period, holders of such agreements facing a thirty-five percent increase over two years. About a year later, an increase of almost 100 percent in the price of Alberta gas brought general rate increases ranging from twelve percent for residential customers to thirty percent for large industrial users.[88]

Other increases in gas as well as increases in electrical rates can be expected in the near future. The Corporation has now reached a stage where installation of new electrical capacity will result in rising production costs. Meanwhile, expanding consumption on a per customer basis will as in the past result in it obtaining a smaller return per kilowatt-hour sold. The days are now over when economies of scale or savings resulting from decentralization could offset increases in fuel, labor and other costs.

Finally, a few words should be devoted to how the Corporation views certain developments of the past couple of decades and what it foresees in the future. The municipal revenue issue of the 1950s and early 1960s seems dead. The Corporation has learned to live with the arrangements worked out, and its relations with municipal governments concerned are excellent. Under these circumstances, it is questionable if the Corporation itself will resurrect the matter, even though certain of its members have on occasion expressed concern about the distribution of revenue among municipal governments and the extent to which gross revenue and surcharge payments increase as natural gas and, in the future, electrical rates rise. An element of concern also has been expressed about rural electrification on the grounds that revenue from rural customers does not cover its full costs.

Members of management have also questioned some past Corporation decisions. Furlong, for example, stated that the organization would have been better off financially had it built additional thermal plants rather than the Squaw Rapids and Coteau Creek hydro stations.[89] However, not all his colleagues agreed with him. Some also disagreed on the basis that hydro plants use a renewable resource whereas thermal plants do not. In addition, one cannot help wondering if water conditions for a particular year, 1968, did not prompt Furlong to make the statement. More recently, some have expressed regret concerning certain details of their planning for the 100,000 kilowatt addition to the Queen Elizabeth. It was not designed to burn coal, which would have been highly desirable in view of subsequent gas price increases. Nonetheless, Corporation executives generally agree that given a chance to make past decisions over again they would not decide differently under similar circumstances. Finally, looking back at the very recent past some have indicated regret that the Corporation did not start developing additional generating sites before public concern over the impact of such projects reached present heights. But, by and large, they are pleased with the way things have worked out and are generally satisfied with their overall performance to date.

That their record was impressive and that a certain amount of self-congratualtion is justified became evident in 1973 when the "energy crisis" struck the United States and created apprehension in Canada. Thanks in part to the actions the Corporation had been taking, Keith could write: "No Immediate Saskatchewan Energy Crisis Foreseen." During the preceding year the Corporation had produced over eighty percent of its electrical requirements from coal and hydro. Installed capacity in its plants totalled nearly 1,500,000 kilowatts, of which 467,000 were in hydro facilities. Available for the future on the Saskatchewan Rivers was a potential of 1,900,000 kilowatts which could be developed even though plants located there would be able to operate only at a relatively low load factor. On the eastern reaches of the Churchill was another 450,000 kilowatts, suitable for utilization at a higher load factor. At Estevan the Corporation commanded sufficient lignite reserves to last to about 2000; elsewhere in Saskatchewan reserves would not be depleted until well after that. Not until the year 2000 will the Corporation have to consider more expensive alternative sources such as nuclear power. "We are reasonably confident," Keith stated, "that in Saskatchewan we do not have anything approaching an 'energy crisis' in the electric field."[90]

Where natural gas is concerned the situation is not as bright but is not alarming. Of its 1972 requirements the Corporation obtained fifty-five percent from Alberta and the balance in Saskatchewan. Twenty percent of the amount came from its own fields in the two provinces and the remainder was purchased from private producers. On the basis of 1972 consumption, the Corporation owned or had under contract proven reserves representing a sixteen-year supply. However, owing to declining field pressure and load growth (an increase estimated at two to three percent per annum) additional sources of supply would be required by 1980. Some of the new supplies would likely be obtained from the probable reserves the Corporation held in the Hatton area and more could be expected to result from its rapidly expanding exploration program. The major future concern in Keith's view had to do with price. A doubling or tripling of field prices could be expected within the course of a few years, such prices rising with the market value in eastern Canada.[91]

Fred Ursel, manager of resource development for the Corporation, also spoke on the topic. Where future supplies of gas are concerned, he does not foresee availability as a problem. One reason is that

Saskatchewan's consumption of gas does not equal five percent of Alberta's production. His prime concern is the cost of purchases in Alberta and the impact of rising costs on local consumers. "It is considered," he stated, "that security of gas supply for Saskatchewan does not offer critical problems for some time into the future but the certainty of cost increases is definite."[92] Recently the supply situation has improved, the Corporation now commanding, as a result of exploration and other activities, reserves equivalent to roughly a twenty-five year supply at 1974 usage levels.[93]

Despite the relatively envious position Saskatchewan residents enjoy today in respect to future electrical and natural gas needs, Corporation officials have some reservations about what lies ahead. Addressing a 1973 energy symposium Ursel said:

> Energy industries have for some time past been operating in a new social and economic framework. Growth in energy demand has been vigorous and is expected to continue for as long as growth can be sustained. Much of the growth is closely related to a rising living standard and to the increased productivity necessary for social and economic well being. . . .
>
> At the same time, there is a growing realization and concern that sustaining such growth is based on finite one time energy resources for some of which alternative substitutes are not available or are extremely costly. . . .
>
> The geographic distribution of resources with relation to the centres of greatest use has been and will continue to cause financial and political stress between nations and between economic and political units within nations.
>
> In Canada, legislation and regulations on energy resource ownership and development has carried over from earlier periods in which stimulation of discovery and development were prime objectives. They have been overtaken by events, particularly in the past year, and many are now inadequate or inappropriate.
>
> Attempts to adjust to the altered conditions are made difficult by overlapping of regional and national jurisdictions and authority together with conflicts of regional and national interest.
>
> General public concern over the environmental, ecological, and social effects of continued growth and concern that adequate attention and priority are assigned to these considerations has led to new definitive and restrictive legislation and regulation.
>
> These concerns have led to organized and effective insistence on the provision of public information and the right for public participation in the decision making processes.
>
> Long term economic evaluations have become difficult and, in many instances, are not meaningfully possible because of inflation with attendant escalation in the cost of machinery, materials, and manpower. Interest rate escalation and international monetary problems have caused similar problems in projecting financial costs.
>
> Past decisions were obviously simplistic since they were made *when*—resource depletion was not truly recognized as an impending problem, *when*—financial and economic conditions were relatively stable and somewhat predictable, *when*—environment and ecology

> were considered to have sink capacity to absorb development effects, *when*—public acceptance of development decisions was routine.
>
> Most, if not all, of the changed conditions have and will continue to affect the Saskatchewan Power Corporation plans for future development. . . .
>
> A very real danger, and one which has taken place for many utilities, is the total emasculation of the decision making process with drastic consequences to the public they serve.
>
> The task of meeting future provincial power and gas needs under these circumstances will be more difficult and challenging since it is a fact that any method of energy resource development involves trade-off in the form of resource depletion, environmental and ecological penalties, and broad social and economic considerations. The objectives will clearly be to evaluate the benefits and the penalties of alternative plans and attempt to achieve the greatest net benefits to society.[94]

Nevertheless, Corporation officials are fairly optimistic about the future: if Canada husbands its energy resources and controls reserves and exports in a manner which will ensure domestic security of supply—something the federal and provincial governments are increasingly doing; if extravagant and wasteful uses of energy are discouraged—things the Corporation and others are doing;[95] and if the Saskatchewan Government, the public and the Corporation cooperate in a manner which will lead to the rational, logical and balanced developments of energy resources without panic or obstructionism, provincial natural gas requirements can be met throughout the next decade and probably beyond and electrical requirements well into the next century.[96]

Footnotes to Chapter XIII

POSTSCRIPT: THE FURLONG YEARS AND AFTERWARDS

[1] *The Stoughton Times*, 21 November, 1968, in S.P.C. Clippings.

[2] See, for example, *The Leader-Post* (Regina), 2 March, 1964, and *The Moose Jaw Times*, 7 April, 1964, in *ibid.*

[3] The Honorable H. C. Pinder served as minister in charge for a brief interval in 1964 prior to his defeat in a by-election in December. Steuart then took over.

[4] *The Leader-Post* (Regina), 25 July, 1964, in *ibid.*

[5] *Ibid.*, 26 June, 1964, in *ibid.*

[6] *Ibid.*, 13 July, 1964, in *ibid.*

[7] Statement by D. Cass-Beggs, 27 August, 1964, in author's possession.

[8] *The Leader-Post* (Regina), 24 July, 1964, in S.P.C. Clippings.

[9] In connection with depreciation methods Cass-Beggs had written that the Corporation "could not expect any significant rate reduction until the monetary situation will allow us to borrow more for expansion purposes and as a result to reduce the financing out of operating revenues. . . . We face today a situation in which operations that are economically perfectly sound and profitable may show a loss or appear unsound under our present method of financing and presenting our accounts. This is particularly unfortunate in that it will be the electrical side of our operations, where the ratio of capital to revenue is greatest, that the effect of excessive depreciation rates will be most noticeable, and thus, observers may tend

to conclude erroneously that the electrical operation is a losing proposition, only sustained by substantial profits from gas." See D. Cass-Beggs to C. M. Fines, 27 October, 1959, Fines Papers, 1. S.P.C. AF 494.

[10] For example, sale of a portion of gas reserves the Corporation had bought in place and transfer of a portion of Corporation surpluses to the Province.

[11] Interview, 8 October, 1974. Cass-Beggs further stated that at the time of his dismissal he did not yet know what Government policy would be.

[12] Cass-Beggs recently said: ". . . my personal philosophy has undoubtedly been on the Socialist line since I can remember. I was a member of the British Labor party in my youth and I naturally joined the CCF when I came to Canada." *The Saskatoon Star Phoenix*, 8 August, 1973, in S.P.C. Clippings.

[13] *The Vancouver Sun*, 2 November, 1972, in *ibid*.

[14] Interview, 8 October, 1974.

[15] *Budget Speech*, 1966, pp. 16-17.

[16] The statement should not be taken to mean that the Corporation's financial methods were unsound. What it was doing was simply this. It was depreciating assets it created over their expected lifetimes. At times the period was longer than the life of the loans used in creating such assets. In such cases when loans fell due they would be paid off, perhaps partly through new loans which would in turn be paid by depreciation reserves set aside in subsequent years. Under its system of financing, some of its debts would require refunding. Never in its history had it failed to meet its financial obligations. What Steuart was proposing was that the Corporation pay off loans as they fell due without refunding, extra depreciation being set aside for that purpose, an idea which could not always be applied. The Corporation, for example, had to refinance heavily and at higher interest rates in 1968, 1969, and 1970. See S.P.C. *Annual Reports*, 1969, p. 13, 1970, p. 13. Mr. Steuart recently told the author that one of his aims in making the proposal was to impress upon the Corporation the Government's wish to have the ratio of equity to debt capital increased. He also of course could not foresee how interest rates would rise. Interview, 19 August, 1975.

[17] *Debates and Proceedings*, Legislative Assembly of Saskatchewan, Regina; Queen's Printer, 1966, pp. 278-280.

[18] S.P.C. News Release, 2 March, 1965.

[19] *The Leader-Post* (Regina), 11 January, 1968, and *The Saskatoon Star Phoenix*, 31 May, 1968, in S.P.C. Clippings.

[20] *The Saskatoon Star Phoenix*, 26 June, 1970, in *ibid*.

[21] S.P.C. News Release, 17 September, 1965.

[22] *Ibid*.

[23] *The Leader-Post* (Regina), 1 August, 1968, in S.P.C. Clippings.

[24] S.P.C. *Annual Report*, 1970, p. 22.

[25] See, for example, *The Leader-Post* (Regina), 13 March, 1970, and *The Saskatoon Star Phoenix*, 9 September, 1969, in *ibid*., and S.P.C. *Annual Report*, 1966, p. 2.

[26] *The Leader-Post* (Regina), 19 September, 1964.

[27] S.P.C. News Release, 26 November, 1965.

[28] S.P.C. *Annual Report*, 1967, p. 8; *The Leader-Post* (Regina), 16 November, 1967, in S.P.C. Clippings.

[29] For example, *The Leader-Post* (Regina), 16 November, 1967, 29 March, 10 April, 1968, in S.P.C. Clippings.

[30] *Ibid*., 30 May, 1968, and *The Swift Current Sun*, 31 May, 1968, in *ibid*.

[31] *The Moose Jaw Times*, 30 May, 1968, in *ibid*.

[32] "Review of Gas Development Agreements with North Canadian Oils and Canadian Homestead Oils," to Board of Directors, 25 September, 1968, Grant Papers, A.S. No. 296a.

[33] Rates applied were ten, twenty-five or thirty-three percent above regular village rates depending upon the per customer investment the Corporation made in providing service and were designed to yield a one percent return on investment.

[34] S.P.C. *Annual Report*, 1965, p. 8; *The Saskatoon Star Phoenix*, 27 January, 1966; *Debates and Proceedings*, Legislative Assembly of Saskatchewan, Regina: Queen's Printer, 1966, p. 278.

[35] S.P.C. *Annual Report*, 1966, p. 8; *The Saskatoon Star Phoenix*, 8 January, 1969, in S.P.C. Clippings.

[36] *The Leader-Post* (Regina), 2, 19 July, 1969, 9 September, 1970, 9 March, 1972, 16 February, 24 August, 1973, in S.P.C. Clippings. Plastic Pipe offered a savings of about forty percent over steel.

[37] S.P.C. *Annual Reports*, 1962, p. 8, 1969, p. 4, 1971, p. 10.

[38] *The Prince Albert Herald*, 27 March, 1968, in S.P.C. Clippings.

[39] A. H. V. Elmer to E. B. Campbell, 19 September, 1968 in A. H. V. Elmer, "Study of Northern Saskatchewan Electric Power Requirements," September 1968, Grant Papers, A.S. No. 296.

[40] *Ibid*.

[41] A. H. V. Elmer, "Study of Northern Saskatchewan Electric Power Requirements," September 1968, pp. 8, 17-18.

[42] *The Leader-Post* (Regina), 11 January, 1969, in S.P.C. Clippings.

[43] *Ibid.*

[44] S.P.C. *Annual Report*, 1970, p. 3; North-Sask. Electric Limited, *Annual Report*, 1971.

[45] North-Sask. Electric Limited, *Annual Report*, 1972; *The Leader-Post* (Regina), 29 April, 3 October, 1972, *Prince Albert Daily Herald*, 11 July, 1972, in S.P.C. Clippings.

[46] North-Sask. Electric Limited, *Annual Report*, 1974; *The Leader-Post* (Regina), 13 June, 1974, *Prince Albert Daily Herald*, 27 May, 1974, in S.P.C. Clippings.

[47] S.P.C. News Releases, 26 February, 13 November, 1964; S.P.C., Minutes, 31 January, 1964, Brown Papers; S.P.C. *Annual Reports*, 1968, p. 6, 1969, p. 5. The plant was expected to produce in excess of 800,000,000 kilowatt-hours annually, an amount decreasing as irrigation reduced the quantity of water available.

[48] S.P.C. *Annual Reports*, 1964, p. 3, 1965, pp. 4-5, 1967, p. 6, 1969, p. 6, 1973, p. 2; unidentified clipping, May 1973, in S.P.C. Clippings. The Queen Elizabeth unit did not come on the line until a year later than planned, a rotor burnout having occurred when a piece of equipment was run in reverse during testing in August 1971. The accident necessitated major repairs.

[49] *The Leader-Post* (Regina), 4 November, 1968, *The Saskatoon Star Phoenix*, 11 July, 1969, and *The Nipawin Journal*, 19 November, 1969, in S.P.C. Clippings; S.P.C., Minutes, 22 April, 1971, Grant Papers, A.S. No. 296d.

[50] S.P.C. *Annual Reports*, 1966, p. 5, 1967, p. 4, 1968, p. 4, 1969, pp. 4, 6; *The Saskatoon Star Phoenix*, 4 November, 1970, in S.P.C. Clippings; S.P.C., Crown Corporation Information Books, 1967, 1969, 1970.

[51] S.P.C. *Annual Reports*, 1968, p. 4, 1970, p. 6; *The Yorkton Enterprise, 4 November, 1970, in S.P.C. Clippings.*

[52] "Discussion with Canadian Utilities on Generation Resources," in S.P.C., Minutes, 22 April, 1971, Grant Papers, A.S. No. 296d.

[53] *The Saskatoon Star Phoenix*, 9 September, 1969, in S.P.C. Clippings.

[54] S.P.C. *Annual Report*, 1970, pp. 22-23.

[55] *Ibid.*, 1969, p. 4 reports such contracts as enabling the Corporation to reduce its peak load by 30,000 kilowatts.

[56] For example, see D. G. Steuart, in *Debates and Proceedings*, Legislative Assembly of Saskatchewan, 1968, pp. 463-464, and Premier Thatcher in *The Leader-Post* (Regina), 13 March, 1970, in S.P.C. Clippings.

[57] For criticism see *The Leader-Post* (Regina), 3 December, 1970, in S.P.C. Clippings.

[58] S.P.C. *Annual Report*, 1966, p. 5; S.P.C. Crown Corporation Information Book, 1975.

[59] S.P.C., Crown Corporation Information Book, 1975.

[60] Dividends rose from about twenty-five percent of S.P.C. net income in 1966 and 1967 to about fifty percent thereafter. See S.P.C. *Annual Report*, 1974, p. 21. Also see *The Leader-Post* (Regina), 14 March, 29 November, 1973 and *The Saskatoon Star Phoenix*, 26 February, 1969, 3 March, 1971, in S.P.C. Clippings. Thorson would have liked to end the practice earlier regarding it as undesirable but was unable to do so. Interview, 14 August, 1975.

[61] S.P.C., Public Relations Department, Personnel Files.

[62] S.P.C. *Annual Reports*, 1966, p. 5, 1967, p. 4; S.P.C., Minutes, 22 April, 1971, Grant Papers, A.S. No. 296d.

[63] S.P.C. *Annual Report*, 1974, p. 10; S.P.C., Minutes, 22 April, 1971, Grant Papers, A.S. No. 296d, *ibid.*, 27 May, 1971, in *ibid.*, 296c.

[64] S.P.C. *Annual Report*, 1971, p. 6; S.P.C., Minutes, 22 April, 1971, Grant Papers, A.S. No. 296d, *ibid.*, 20 March, 1971, in *ibid.*, 296c.

[65] S.P.C. *Annual Report*, 1973, p. 2; *The Leader-Post* (Regina), 9 April, 1973, in S.P.C. Clippings; *Debates and Proceedings*, Legislative Assembly of Saskatchewan, 1973, pp. 2,482-3.

[66] S.P.C. *Annual Report*, 1974, p. 2; *The Leader-Post* (Regina), 4 November, 1974, in S.P.C. Clippings.

[67] *The Nipawin Journal*, 10, 24 May, 1972, 18 April, 1973, *The Carrot River Observer*, 6 February, 1974, in S.P.C. Clippings.

[68] S.P.C. Minutes, 27 May, 1971, Grant Papers, A.S. No. 296c; *The Leader-Post* (Regina), 18 May, 26 October, 1971, 19 January, 1972, in S.P.C. Clippings.

[69] M. Evelyn Jonescu, "Natural Vegetation and Environmental Aspects of Strip Mined Land in the Lignite Coalfields of Southeastern Saskatchewan," (unpublished Ph.D. dissertation, Univ. of Saskatchewan, Saskatoon, 1974), deals with the problems of and makes recommendations for reclamation of strip mined areas.

[70] *The Leader-Post* (Regina), 9, 10 April, 1973, in S.P.C. Clippings. Somewhat earlier Federal-Provincial studies of gases and vapors emitted by the plant had been inaugurated to determine their effects on local weather conditions and the surrounding countryside and to discover ways to improve discharge stacks.

[71] S.P.C. *Annual Reports*, 1972, p. 2, 1973, p. 8; Churchill River Study, *Missinipe Achimowin*, Interim Report Supplement No. 1, Spring 1974; *The Leader-Post* (Regina), 19 October, 17 November, 13 December, 1972, 2, 28 February, 8, 14 June, 1973, in S.P.C. Clippings.

[72] *The Prince Albert Daily Herald*, 3 November, 1973, in S.P.C. Clippings.

[73] *The Leader-Post* (Regina), 28 February, 1973, in *ibid.*; interview with Kim Thorson, 14 August, 1975.

[74] The S.P.C. said options ranged from sale of the machines to the two companies supplying it with coal at Estevan to loan of the machines to those companies. *The Leader-Post* (Regina), 3 April, 1974, in S.P.C. Clippings.

[75] *Ibid.*, 12 June, 1974, *The Prince Albert Daily Herald*, 14 August, 1974, in *ibid.*; S.P.C. News Release, 11 September, 1974. The announcement contained a hint that the Corporation might mine its own coal for the station: the cost of the project including "the associated mining complex" would exceed $150,000,000.

[76] S.P.C. News Release, 11 September, 1974.

[77] *Debates and Proceedings*, Legislative Assembly of Saskatchewan, 1973, p. 256; R. R. Keith, "The 'Energy Crisis' and Us," *Hi-Lines*, September 1973.

[78] Interview with Robert Freeman, Gas Planning, July 1975.

[79] *Ibid.*; *Debates and Proceedings*, Legislative Assembly of Saskatchewan, 1973, p. 785.

[80] Interviews: Robert Freeman, July 1975, Kim Thorson, 14 August, 1975.

[81] Interview with Robert Freeman, July 1975.

[82] S.P.C. *Annual Report*, 1972, p. 11. According to Thorson, purchase of the line meant a savings to the Corporation of $1,600,000 on the basis of its 1972 imports of gas from Alberta. The Corporation acquired one-quarter of its total gas requirements via the Unity line that year. *Debates and Proceedings*, Legislative Assembly of Saskatchewan, 1973, pp. 785-6.

[83] *Debates and Proceedings*, Legislative Assembly of Saskatchewan, 1973, pp. 788-9. Expectations were that the value of "in place" reserves acquired under the program would be about $4,000,000 when Corporation expenditures reached $1,830,000. Such reserves owned outright by the Corporation would be in the neighborhood of 67,000,000,000 cubic feet. Also see *The Leader-Post* (Regina), 31 December, 1971, 16 February, 1973, in S.P.C. Clippings.

[84] S.P.C. *Annual Report*, 1974, p. 10; interview with Fred Ursel, August 1975.

[85] S.P.C. *Annual Report*, 1974, pp. 2, 10.

[86] *Debates and Proceedings*, Legislative Assembly of Saskatchewan, 1973, pp. 256, 789, 791; *The Leader-Post* (Regina), 30 January, 1974, in S.P.C. Clippings; interview with Kim Thorson, 14 August, 1975.

[87] *The Leader-Post* (Regina), 1, 3 October, 1974, in S.P.C. Clippings.

[88] *Ibid.*, 10 July, 29 November, 1973, 31 August, 1974, in *ibid.*

[89] *The Saskatoon Star Phoenix*, 12 July, 1968, in *ibid.*

[90] R. R. Keith in *Farm Light and Power*, October 1973, in *ibid.* The 450,000 kilowatts on the Churchill include the 100,000 already installed at Island Falls.

[91] *Ibid.*

[92] Address to the Energy Symposium, University of Saskatchewan, Regina, 4 December, 1973, pp. 24-5.

[93] Interview with Fred Ursel, July 1975.

[94] Ursel address, pp. 1-4. Emphasis in original.

[95] Some years ago the S.P.C. ceased conducting load building activities and has since concentrated on advising customers how to use energy wisely and on how to conserve it.

[96] Interviews: Fred Ursel, August 1975, Kim Thorson, 14 August, 1975.

APPENDIX A

HOW THE ROYAL COMMISSION APPARENTLY REACHED THE DESIRED CONCLUSIONS

In commencing an analysis of the Power Resources Commission report, it is advisable to recall certain events which took place between the appointment of the Commission and publication of its report, in conjunction with certain details concerning the report itself. First, the Commission was appointed on January 7, 1927. On April 12 it held its first meeting and determined the form which its investigation would take. On June 15, according to the Commission report, R. N. Blackburn completed Appendix No. 6. This appendix claimed that it was cheaper to transport the coal required to produce a given number of kilowatt-hours of electricity from the Souris coal fields to Regina and produce the energy there than it was to transmit the same number of kilowatt-hours electrically. On the basis of this argument alone, the Commission rejected Roche Percee as a site for a central generating station. The reference to duplication of fixed charges and stand-by costs was irrelevant to the comparison Blackburn was required to make and was simply a red herring thrown in to confuse the issue. These charges had been included in the estimates of the consultants when they declared such a central station to be economically practical. The uncertainty of the water supply should not have been used as a reason without investigation by the Commission. The consulting engineers had not rejected it on this basis. They had said that before the site was selected, an investigation should be conducted to make certain there was sufficient water for a 50,000 kilowatt station.

The Commission handled the question of availability of coal at Lake-of-the-Rivers in the same manner, rejecting the site on the basis of duplication of fixed charges and stand-by costs alone. Again, these were taken into account by the consulting engineers in declaring a central station there economic. For the moment the Elbow site may be disregarded; it too was improperly rejected, though in a different manner. In short, what the matter boils down to is this: by June 15, 1927, according to their report, the Commissioners believed that a large central generating station was economically out of the question. Yet they issued instructions to their consulting engineers on September 23 to study the economic practicability of such a project. On January 21, 1928 the consultants reported that it was economic and recommended it for the very near future, and on March 1 named three sites, one of which was to be selected as quickly as possible. On May 16 their recommendation for a central generating scheme was proposed to the cities. The cities did not like the plan as it would eventually lead to closing their plants. The final report of the Commission was due in two weeks but was not filed for seven; it then declared the proposals presented on May 16 to be economically impractical. In short, if one takes the Commission report at face value, the performance of the Commissioners appears ridiculous. Knowing as early as June 1927 that construction of a large central generating station was out of the question, they spent a full year investigating it and even proposed establishing one before informing the Government that it was impractical.

There are two ways in which to account for the apparently erratic behavior of the Commission. Either the Commission had no faith in its own findings or there is something wrong with the sequence of events as reconstructed from the records of the time. The answer is obviously the latter; to be exact, Commission behavior is explicable in terms of Appendix No. 6. It would appear that the date the appendix bears, June 15, 1927, was not the actual date on which it was produced. Had it been in existence in 1927, Sullivan, Kipp and Chase would almost certainly have been required to overcome its arguments in producing their report. They made no reference to it.

When then was the appendix produced? Very probably after the May 1928 conferences with the cities, perhaps on June 15, 1928. Did it then receive the date it bears as a result of an error on the part of Blackburn or some other party? Again the answer must be perhaps, though one is inclined to think otherwise. Suppose the appendix had borne a date subsequent to the May 1928 conferences. Such a date would have immediately isolated it as a study produced after the cities had expressed opposition to the tri-city, central plant scheme of the consultants and used to show such a scheme as being uneconomic. Attention might therefore have tended to centre more readily upon it, and its inadequacies together with those in the Commission's report might have been discovered.

It seems more probable that the appendix was drawn up some time in early June 1928 and intentionally given the date it bears. Affixing such a date to it held certain advantages. Suppose that after the Commissioners' report was made public someone suggested that they appeared to have changed their minds concerning what their recommendations should be in the last days of their investigation. They could respond by maintaining that they had had reason to believe all along that electricity could be produced more cheaply in city plants than at other locations in the province but had thought it desirable to examine as fully as possible other alternatives such as the tri-city, central plant scheme of the consultants, and they could refer to Appendix No. 6 to support that response. By dating the document approximately a year prior to the time Blackburn drafted it, they would certainly make it less suspect. This writer realized that there was something seriously wrong with the Commission's report long before isolating the appendix as the key to breaking down the report. It was only after following through a number of false leads and applying procedures approximating the one briefly outlined above that the appendix was finally seen for what it actually was.

One also cannot avoid asking a question about the very fact that the appendix bore any date. Unless the Commissioners intended to date it prior to the time it was completed for the purpose of confusing people who might read their report, why did they bother to date it at all? Of the nine studies or exhibits prepared for them and included in their report as appendices—and Blackburn produced at least two of them—only Appendix No. 6 received a date purporting to show when it had been completed.

Whatever the truth of the matter may be, one conclusion is very obvious: the appendix was created for the sole purpose of having some sort of a document to support rejection by the Commission of Roche Percee and Lake-of-the-Rivers as sites for central generating stations. No matter what date one might put on the appendix, that date does not strengthen its contents nor significantly alter the analysis which follows.

The appendix, one must admit, was brilliantly conceived and admirably drawn up. Its purpose was to overthrow the whole idea of the economic practicability of a tri-city transmission system in conjunction with a central power plant on the Souris coal fields on the basis of one factor—the cost of electrical transmission from there to Regina. All the other economies of such a system—fuel economy, operating efficiency, the avoidance of duplicate capital expenditures, reduced labor and administrative charges —were omitted. Furthermore, it was essentially a "one-shot" proposition in that the argument was designed primarily for the purpose of rejecting a site on the Souris coal fields. If such a site could be made to appear uneconomic it would simplify disposing of the others.

Blackburn chose his ground carefully. To begin with, he selected the Regina plant. Of the city plants it used the smallest amount of fuel to produce a kilowatt-hour of electricity. Next he chose a very good year, 1926, for which to measure the plant's fuel costs. The previous year a new generator had been installed. With regard to 1926, the consultants stated, "The low costs . . . were attained by operating the newer and more efficient 5,000 Kw. unit as base load carrier, other units being operated only during hours of peak demand beyond the capacity of that unit. Higher fuel costs would accompany more liberal use of other generators, as will be necessary for greater loads of [the] early future."[1] This combination gave him the least possible quantity of coal required to produce a kilowatt-hour of energy. For purposes of comparison, the choice of a transmission line was obvious; the proposed line from Roche Percee to Regina was not only the longest from a plant to a city but, due to the length, would have the greatest line losses in transmission. From this vantage point he worked out his argument, beginning with a theoretical plant which could be located either at the coal fields or at Regina. He stated:

> As relative costs only are required, the problem may be simplified by omitting from consideration those costs which would be the same in each case. It may be assumed that the capital cost of the power station, cost of operation, depreciation, and maintenance, would be the same in each case. Also that the thermal efficiency of the plant, that is, the number of pounds of Souris Lignite coal required to generate one K.W.H. would be the same in Regina as at the mine. It is only necessary, therefore, in the present instance to compare the freight charges from Bienfait to Regina on the amount of coal required to generate one K.W.H. electrically.[2]

On the surface it sounded like a very reasonable statement and it will be accepted as such for the moment, although it rested on a completely inapplicable assumption. The points to note for the present are that, in laying the basis for his argument, Blackburn was dealing with a theoretical power plant completely up-to-date and as efficient as it could be made and that he had only to compare freight charges with transmission costs.

His second step was to discuss fuel consumption at the Regina plant, claiming that it had a high thermal efficiency. In doing so he substituted the Regina plant for the theoretical one. From all appearances, this made the proposition look even more reasonable. If it were cheaper to haul coal to the existing plant, it should certainly be so in the case of a new, theoretical one. He then worked out the cost of freight on the required amount of coal, determined the capital costs and annual charges on the necessary transmission line, computed the cost involved in transmitting one kilowatt-hour, and added the allowance for transmission line losses. The results were 0.285 cents to 0.300 cents in favor of freighting coal.[3]

But, really, what did these figures determine? Did they show that it was uneconomic to supply three cities by transmission line from a central plant on the Souris coal fields? They did not but that was how the Commission used them. Blackburn's presentation merely demonstrated that it was somewhat more economical to freight coal and generate power in Regina for the Regina market alone than to supply *that market* from a plant on the coal fields. It showed that a central plant on the coal fields supplying power to *one city* would be uneconomic; it did not show that such a plant supplying three cities would be. These findings should not have been news to anyone, least of all the Commission. The capital costs of such a system to supply one city over the distance involved, using only the amount of energy Regina was consuming would probably have been too high to consider. Blackburn's results could scarcely have come out otherwise. The consulting engineers in recommending the three-city system did not even expect to be able to bring current into Regina at a cost below local generating costs until after 1930.[4]

But Blackburn did not stop when he had answered the question involved; he wanted to create for the Commission as impressive a document as possible. Thus he continued:

> If the City of Moose Jaw were also included in a power transmission scheme, it is readily apparent that the relative costs of power transmission and freight charges on Souris coal would not be materially changed. The total power transmitted per annum would be increased by about 52 per cent, but the annual charges on transformer stations would also be increased in practically the same ratio; also larger conductors would be required and about 42 additional miles of transmission line would require to be built to connect with Moose Jaw, so the net costs per K.W.H. would be nearly the same.[5]

Regrettably, he gave no figures in support of the statement. To have done so would have necessitated dealing with the thermal efficiency of the Moose Jaw plant. It required new boilers and, therefore, consumed more coal to produce a kilowatt-hour. It is very doubtful if his findings would have supported his argument had he taken the thermal efficiency factor into account.

As if to clinch the matter, Blackburn brought in the costs of stand-by power at Regina and the continuing fixed charges on the capital costs of the Regina plant.[6] Such matters were completely irrelevant insofar as the comparison he was required to make was concerned. The move was apparently designed to pave the way for rejection of the Lake-of-theRivers site by the Commission. The consulting engineers included these, together with similar charges at Moose Jaw and Saskatoon, in their estimates of the costs of operating the system as a whole. Such costs were to be covered by the economies made possible by the creation of an integrated system. They would be the general economies of large-scale production such as lower capital expenditures on sites, buildings and equipment, smaller depreciation and maintenance charges, a lower wage bill and lower fuel costs. Blackburn, on the other hand, set out to compare freight costs on coal with the costs of electrical transmission. But by bringing in extraneous matters he ended by saying, in effect, that if the cost of freighting coal did not at least equal the cost of transmission, fixed charges on existing capital investments and stand-by costs in a situation involving a plant on the coal fields and the city of Regina alone, the whole idea of a tri-city system was uneconomic. In short, his argument was set up to reject a system serving three cities and involving many important factors—some of which could not even be calculated in monetary terms—on the basis of a single factor in relation to only one city. The resulting benefits from integration which the consultants stated would accrue to the cities, not to mention intervening areas, were simply disregarded. And the Commissioners capped the matter by following right in his footsteps in rejecting the Roche Percee site. Since they did not investigate the water supply as recommended by Sullivan, Kipp and Chase their mention of a possible shortage was only so much verbiage.

Blackburn devoted only the final paragraph of his study to the Lake-of-the-Rivers site. But that he should have even mentioned it on June 15, 1927 is extraordinary. The first suggestion that a generating station might be built there does not appear to have been made until months later when Sullivan, Kipp and Chase referred to it in their report of March 1, 1928.

In regard to the Lake-of-the-Rivers site, after rejecting the Roche Percee site, the Resources Commissioners stated: " . . . the deductions in Mr. Blackburn's report . . . would not represent altogether the same conclusion, but as already pointed out, the fixed charges on the two plants at Regina and Moose Jaw must continue to be carried in addition to those at the central plant. The extra fixed charges which would result from the erection of a central plant would be much more than any saving which could result from transmitting rather than freighting the coal from these coal fields."[7] There are two important things to note about the statement. First, Blackburn's conclusions would not be the same. They simply could not be. In constructing his argument with respect to the Roche Percee site he could compare the costs of freighting coal with the costs of transmitting power over a distance of 130 miles from the coal fields to Regina or 172 miles if he had included Moose Jaw. However, in the case of the Lake-of-the-Rivers site only seventy-nine miles of transmission line would have been required to reach both cities. A comparison of costs would probably have strongly supported the transmission of power. Secondly, the Commissioners again said that fixed charges would all have to be met by savings on transmission over freighting coal. No other possible economies were considered. In the final analysis, the Commission rejected the Lake-of-the-Rivers site with nothing more than the red herring Blackburn had included in his argument. The Commissioners' statement regarding the uncertainty of the coal supply was pointless since they had not investigated it.

Now it is possible to return to Blackburn's initial assumption. His type of "economies" will become apparent at once, together with the flaws in his methods of providing for fixed charges on capital and for stand-by costs. The reader must keep in mind at all times that his argument was used to reject a scheme involving *three* cities and *one* plant. His assumption was "that the capital cost of the power station, cost of operation, depreciation and maintenance would be the same in each case. Also that the thermal efficiency of the plant, that is, the number of pounds of Souris lignite coal required to generate one K.W.H. would be the same in Regina as at the mine." Was the assumption correct? The scheme of the consulting engineers called for a 25,000 kilowatt station on the coal fields. Let us assume that such a plant were constructed at Regina instead. But what earthly good would such a plant do in Regina? It would be too large and could not be used to produce any economies in Moose Jaw and Saskatoon as there would be no transmission lines. Thus, on the first attempt to apply the assumption it breaks down.

On the other hand, Blackburn's argument can be looked at from a different angle. He dealt with one city and a plant to supply its market. It would not be as large as the plant envisaged by the consultants, nor would it be capable of similar economies. However, that can be disregarded. On the basis of it being cheaper to freight coal than transmit power, the sensible procedure would be to construct such a plant. Let us then assume that the plant was erected in Regina. Now, since expense could also be avoided by freighting coal to Moose Jaw, let us assume that a second plant were established there together with a third at Saskatoon, since a tri-city scheme was involved. From this point of view not one but three plants would be established—three powerhouse sites, three powerhouses, three sets of boilers, three separate staffs, three sets of facilities for handling coal, three for ash, three cranes for use in the powerhouses, three supplies of condensing water, and three of everything else needed in a power plant, plus the required generating equipment and stand-by units at each location. Simply because it was less costly to freight the coal to produce a kilowatt-hour of electricity from the Souris coal field to Regina than to transmit a kilowatt-hour electrically, it was preferable, according to Blackburn's assumption, to increase capital expenditures on generating facilities out of all proportion. This is the logical conclusion when Blackburn's assumption is applied.

The extent to which capital costs would be increased by such a procedure can be roughly estimated. The consulting engineers proposed to construct a 25,000 kilowatt station on the coal fields at a cost of $2,639,000. The cost per kilowatt of installed capacity was $105.56. The City of Saskatoon was simultaneously considering building a new plant. It would have an installed capacity of 7,500 kilowatts, and its capital cost was estimated at $1,200,000. Here the cost per kilowatt of installed capacity would be $160.[8] The difference in cost of installing one kilowatt of capacity in a plant at Saskatoon to meet the city's needs and the cost of installing similar capacity in a plant at the coal fields designed to supply all three cities was thus $54.44 or over fifty percent greater at the city plant. The erection of plants at Regina and Moose Jaw would change the figure but little. Regina would require a larger plant, likely making the difference in cost there less, but Moose Jaw would require a smaller one with the result that the difference there would probably be greater. In other words, in order to erect three plants, one at each city, the total capacity of which would equal that of a single plant at the coal fields, it would be necessary to make capital expenditures of $4,000,000, $1,361,000 in excess of the consultants' estimated costs. This saving alone would have built 240 miles of the type of transmission line Blackburn used in his argument, more than sufficient to connect a plant at Lake-of-the-Rivers with all three cities or more than enough to join a plant at Roche Percee with Regina, using the heavier transmission line recommended by the consulting engineers. It was through economies such as the savings in capital costs made possible by concentrating equipment in large plants that Sullivan, Kipp and Chase proposed to pay fixed charges on existing city plants and provide stand-by power.[9]

Blackburn and the Commissioners did not recognize possible savings in capital costs when rejecting the Roche Percee and Lake-of-the-Rivers sites. That they simply closed their eyes and ignored them is obvious. In both instances they maintained that electrical transmission had to be justified by the savings it produced over freighting coal. But they did not maintain this position throughout the report. In making recommendations to the Government, they called for a transmission line to connect Regina and Moose Jaw. Now a shipment of coal from the Souris field to Moose Jaw via Canadian National Railways could pass through Regina. Since the freight rates were the same in both cases, it cost nothing to move the coal between the two cities. On the basis of their own arguments concerning Roche Percee and Lake-of-the-Rivers the recommendation was utterly ridiculous. However, the Commission then claimed that there were advantages. The line, they said, "would have the effect of postponing expenditures which if the plants were not connected would have to be made."[10] The Commission must have believed that much was to be saved by the recommendation as they proposed to spend $426,000 on a transmission line and transformer stations to postpone an expenditure of $115,000 for a new generator at Moose Jaw.[11] What the central plant scheme of the consulting engineers proposed was to eliminate such expenditures in all three cities in favor of reducing their aggregate amount by concentrating them at selected locations. Resulting economies would in part provide for transmission lines, stand-by costs and capital charges on existing plants.

Before commenting on the proposed power station at Elbow, it is desirable to finish with Blackburn's submission. First, it must be pointed out that the gross overexpenditures implicit in his assumption would not actually take place at once. While it was true that a new plant would be erected at Saskatoon, the same would not be done at Moose Jaw and Regina. At those centres additions would be made to existing facilities and this was what Blackburn really wanted to justify. By substituting the Regina plant for the theoretical one in his argument, he demonstrated that the Regina plant was a fairly efficient plant for its size, but it had its shortcomings. With respect to city plants the consultants stated:

> The municipal utilities and facilities necessarily have been developed in parallel with the growths of the cities and towns. In each principal city the electric light and power generating equipment now in use is an accumulation of units of various dimensions, the rating of each unit being a definite indicator of the order in time of its purchase and installation. The largest unit in each station, the latest and most efficient therein, is in each case at present insufficient in capacity to carry the peak load upon the local system. The latest unit installed approaches in dimension that which is capable of the maximum modern efficiencies experienced elsewhere; in each of the three principal city stations the units less recently installed have much lower operating

> efficiencies; generally the over-all efficiencies are moderate to poor, though constantly advancing due to the skill and attention of the superintending staffs; improvements being attained by care in selection of new equipment items and in maintenance and rebuilding of furnaces and auxiliaries.[12]

Comparing them to the type of generating station they proposed to erect, the consultants added that they had like Topsy, "just growed."[13]

It is interesting to point out what Blackburn could have argued in his submission had the Commission chosen to recommend rather than reject construction of a central generating station at Roche Percee. The Regina power plant burned Crow's Nest Pass coal. In order to compare freight and transmission costs he had to convert that type of coal to Souris lignite in terms of British thermal units per pound. According to his figures, which are assumed to be correct, one pound of Crow's Nest Pass coal contained 14,000 B.T.U. while a pound of Souris lignite contained 6,744 B.T.U. This was as far as Blackburn went. He did not discuss the two types of coal in terms of their B.T.U. cost delivered at power plants. The results of such a comparison are almost unbelievable. Crow's Nest Pass coal delivered at the Regina plant cost $6.30 per ton or per 28,000,000 B.T.U. Souris lignite coal delivered at a plant at Roche Percee would not have cost over $2.00 per ton or per 13,488,000 B.T.U. In other words, while a plant at Regina could purchase only 28,000,000 B.T.U. for $6.30, a plant at Roche Percee could have secured at least 42,487,200 B.T.U.—fifty-two percent more —for the same price.[14] A plant on the coal fields offered huge savings in fuel costs alone, savings which would grow with each passing year as consumption of electricity increased.

As already stated, Blackburn's arguments against a plant on the coal fields suggested that the Regina plant was a fairly efficient operation. The Commission carried this point to its ultimate limits. Their specific reason for rejecting the Elbow site was summed up in a single sentence: "With the present efficiency at the Regina plant and the efficiencies which will be possible at the Moose Jaw and Saskatoon plants when further expenditures are made, the central plant cannot promise such a reduction in operating costs at the plant itself to compensate for this high item of cost represented by transmission lines, transformer stations and city continuing charges."[15] Two points made in this statement deserve close scrutiny. First, the Elbow site was rejected because of existing or possible efficiencies at the city plants. And secondly, possible economies of a tri-city system were again limited to a single factor. The Commissioners implied that the costs of transmission lines, transformer stations and city continuing charges would all have to be provided for by a reduction in operating costs at the central plant itself. No other economies were considered. Rather than do so, the Commission simply rejected the site on the basis of the optimistic estimates of city production costs supplied by city officials.

That estimated city production costs for 1935 were optimistic, there can be little doubt. Almost at the very same time that Sullivan, Kipp and

Chase were drawing up their supplementary report on the Elbow site, J. R. Cowley, the electrical superintendent of Saskatoon, presented City Council with estimates on the cost of operating the local electrical utility. These differed widely from those he supplied to the Commission. Cowley informed the Commission that Saskatoon's fixed charges for the period 1926 to 1935, inclusive, would be $125,000 annually.[16] On the other hand, he informed Council that they would be $180,000 for 1930. And that was not all. Cowley informed the Commission that his 1935 cost per kilowatt-hour would be 1.067 cents. At the same time he advised Council that 1930 kilowatt-hour cost would be 1.384 cents.[17] From this figure and other available information, it is possible to demonstrate what would happen to his costs before 1935.

If Saskatoon was forced to look after its own electrical needs, Cowley believed the City should construct a new power plant. This would cost in the neighborhood of $1,200,000 and consist of one 7,500 kilowatt generator.[18] When drawing up his estimate of 1930 costs for City Council, Cowley considered this plant as being in operation. For the year he estimated that 32,600,000 kilowatt-hours would have to be generated. Of this amount, 29,340,000 would be produced with the new plant at a cost of 0.7 cents per kilowatt-hour plus fixed charges and the balance by the old plant at two cents per kilowatt-hour plus fixed charges. The average cost using the two plants and including fixed charges would be 1.384 cents.[19] The reason for not producing all power required with the new plant was simple. The estimated peak load for 1930 was 8,960 kilowatts. This was too much to be handled by the proposed 7,500 kilowatt generator. Cowley further predicted that during the years 1930 to 1935, peak load on the plant would rise to 14,300 kilowatts.[20] This would mean that with each succeeding year greater amounts of high cost power would have to be produced with old equipment. Sullivan, Kipp and Chase described what would happen when commenting on Regina's low costs in 1926: "Higher fuel costs would accompany more liberal use of other generators, as will be necessary for greater loads of the early future."[21] Rather than Saskatoon's costs declining to 1.067 cents per kilowatt-hour in 1935, as Cowley told the Commission, they would generally be rising unless further capital expenditures (which would raise fixed costs) were made on more efficient generating equipment. In passing it is interesting to note that 1932 production costs at Saskatoon were 1.567 cents per kilowatt-hour in spite of the fact that the Commission erected a new 10,000 kilowatt plant, rather than one with a 7,500 kilowatt capacity on which Cowley based his estimates.[22]

Were the estimates of the other electrical superintendents as unreliable as those of Saskatoon? From the evidence available it is impossible to say with certainty. Nevertheless, the consultants were likely correct concerning costs at Regina. There the cost per kilowatt-hour was 1.31 cents in 1926. It rose to 1.444 in 1927 and was 1.349 in 1928.[23] Furthermore, because of the financial methods used in expanding the plant, there is reason for seriously doubting that Regina's stated costs of production actually represented true costs. The Power Resources Commission stated that capital costs at Regina were low, owing to the "fact that very considerable contributions" were made to the plant "from revenue rather than from borrowed capital."[24] An example of this was seen in 1929-1930. During these years the City spent between $200,000 and $300,000 on the plant. Part of the money came from a fund set up for that purpose and a total of $150,000 from revenue produced by the plant during 1929 and 1930.[25]

In this manner the Regina plant was expanded without increasing the debts against it or the capital charges it had to bear. With increasing output and stationary or improving operating costs, the unit cost of production tended to decline. But the entire procedure does not seem to be in line with accurate cost-accounting. Charging $150,000 against the costs of operating the plant during two years inflated production costs for those years. Afterwards its effect was the opposite. Since the City apparently made no provision to pay itself interest on the money it invested in this manner, its costs of production were understated. Funds thus invested in the plant were capable of earning interest; indeed, the portion taken from the existing fund had been earning interest. In making the expenditures on the plant the City was obliged to forego such earnings. The amount of such losses would have been a proper charge to include in production costs. What was done in regard to the principal invested in this manner is not clear. However, its repayment too would be a proper charge to include in production costs, especially when making comparisons. Because of Regina's method of expanding its plant, its production costs as submitted to the Commission could not be compared with those contained in the report of Sullivan, Kipp and Chase in any meaningful way without adjusting them so as to have the costs of production for the Regina plant and the tri-city system calculated in the same manner.

It is interesting to note what the consultants said of the cities' estimates of production costs submitted at the May 22 conference. Their report read:

> | | | **Fixed** | **Operating** |
> |---|---|---|---|
> | 1926—Regina: .... | 1.310c per Kwh. | 0.483c | 0.827c |
> | Moose Jaw: .... | 1.964c per Kwh. | 0.551c | 1.413c |
> | Saskatoon: .... | 1.886c per Kwh. | 0.647c | 1.239c |
>
> . . . compare with estimates of 1935 costs furnished by city electrical engineers:
>
> | | | | |
> |---|---|---|---|
> | Regina: .... | 0.8128c per Kwh. | ? | ? |
> | Moose Jaw: .... | 1.043c per Kwh. | | |
> | Saskatoon: .... | 1.067c per Kwh. | | |
>
> In arriving for the 1935 figure for Regina it is admitted that about that date considerable further capital expenditure must be made for boiler improvements and for condensing water service. The Moose Jaw figure is based upon a theoretic equipment to meet the 1935 requirements rather than that the dimension of new turbine and boiler units be chosen with a view to the longer future. The Saskatoon figure is based

> on the probable station expansion anticipated. All estimates are based on exceedingly close prices anticipated on new equipment . . . .[26]

No wonder they called the estimates optimistic.

If the Commission's argument concerning the Elbow site was valid, why was it not applied to the other sites as it could have been with greater force? Capital costs were less at Elbow than at the other two sites.[27] Conversely, on a percentage basis, operating costs were greatest. If it was impossible under these circumstances to reduce such costs sufficiently to cover the costs of transmission lines, transformer stations and continuing fixed charges on city plants, was there not less chance of doing so under the less favorable ratios existing at Roche Percee and Lake-of-the-Rivers? Obviously, the Commission did not believe its findings would be accepted on the basis of only this one argument which indeed left much to be desired. Hence, it required some such document as Appendix No. 6.

Upon completion, the foregoing arguments together with an analysis of subsequent events were presented along with all relevant documents to R. J. Fleming of the Department of Electrical Engineering at the University of Saskatchewan for his comments. Following conversations with him the arguments were modified to make certain points stand out more sharply and rewritten in an abbreviated form. Chapter numbers were also altered and part of the material placed in this appendix. On 2 August, 1966, upon examination of the data presented to him Professor Fleming wrote as follows:

> I have reviewed Chapters V to VIII and the accompanying Appendices. I found it very interesting and I am in agreement with your conclusions. . . .
>
> I have gone over the Sullivan, Kipp and Chase report and Blackburn's Appendix VI again also. The Sullivan, Kipp and Chase recommendations are based on sound economic and practical grounds and offered the best engineering solution to the problem I feel. The Blackburn Study given in Appendix VI is far too limited in extent to provide the sole basis for rejection of their recommendations. One glaring omission from Blackburn's considerations is that of the benefits due to shared reserve capacity and deferred expansion which would be possible if the cities were interconnected by a high voltage grid. The statement that the eventual meeting of the radiating systems could provide for power interchange in the event of emergent situations is meaningless since the low voltage distribution lines of the radial systems would be completely useless for the interchange of energy between systems due to voltage regulation considerations.
>
> It would appear that the interests of the major cities concerned were served well by the S.P.R. Commission and that power development in the province as a whole suffered as a result. Strange are the ways of politics!

Footnotes to Appendix A

[1] SKC Report, p. 170.

[2] "Comparative Costs of Transmitting Power from the Souris Coal Fields to Regina," by R. N. Blackburn, Appendix No. 6, *SPRC*, p. 61. Bienfait and Roche Percee are only a few miles apart.

[3] *Ibid.*, pp. 61-64.

[4] SKC Report, p. 109.

[5] "Comparative Costs of Transmitting Power . . .," *SPRC*, p. 64.

[6] *Ibid.*, p. 65.

[7] *SPRC*, p. 9.

[8] "Report of the Special Sub-Committee on Power Plant Extension to the Chairman and Members of the Standing Committee of City Council," 12 April, 1928, Saskatoon City Records.

[9] These estimates are based on the capacity of the plant only and as such can only be approximate. However, the major variable cost would probably result from the provision of cooling water, and here Saskatoon would seem to have an advantage.

[10] *SPRC*, p. 15.

[11] *Ibid.*, p. 19. For expenditures required at Moose Jaw see *The Morning Leader* (Regina), 5 September, 1928, in R. L. & I. No. 101.

[12] SKC Report, p. 123.

[13] *Ibid.*, p. 125.

[14] "Coal Costs for Alternative Steam Stations," *SPRC*, p. none shown. This table shows the costs of coal at various plants and sites. These estimates are on the conservative side as they base the Regina plant on the cheapest type of Crow's Nest Pass coal at the highest B.T.U. value and at the same time penalize the Roche Percee site. The price of $2.00 per ton was the selling price at a mine operating at the time. This price could have been reduced by contracting for a specified amount of coal for a period of time on a year-round basis.

[15] *SPRC*, p. 11.

[16] Sullivan, Kipp and Chase Ltd., "Supplementary Study of . . . Central Station at Elbow," p. 8.

[17] Saskatoon Council Minutes, 5 June, 1928.

[18] "Report of the Special Sub-Committee on Power Plant Extension to the Chairman and Members of the Standing Committee of City Council," 12 April, 1928, Saskatoon City Records.

[19] Saskatoon Council Minutes, 5 June, 1928.

[20] Sullivan, Kipp and Chase Ltd., "Supplementary Study of . . . Central Station at Elbow," p. 2.

[21] SKC Report, p. 170.

[22] L. A. Thornton to Premier J. T. M. Anderson, 19 May, 1933, S.P.C., Power Development, Saskatoon, Tri-City Interconnection.

[23] *The Morning Leader* (Regina), 23 November, 1929.

[24] *SPRC.*, p. 12.

[25] *The Morning Leader* (Regina), 30 November, 1928, 20 February, 1929; City of Regina, *Financial Statements*, 1929, p. 7, 1930, p. 7.

[26] Sullivan, Kipp and Chase Ltd., "Supplementary Study of . . . Central Station at Elbow," pp. 8, 12.

[27] SKC Report, p. 157.

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Clint White was born and raised in the Endeavour, Saskatchewan, district. Following completion of high school at the Yorkton Collegiate Institute, he worked for the CNR for over a decade, mainly at Humboldt and Regina. He entered the University of Saskatchewan as a correspondence student in 1958 and obtained a BA degree in 1963. Subsequent study led to a MA degree from the University of Minnesota and a PhD from the University of Saskatchewan. He is currently an Associate Professor of history at Campion College,